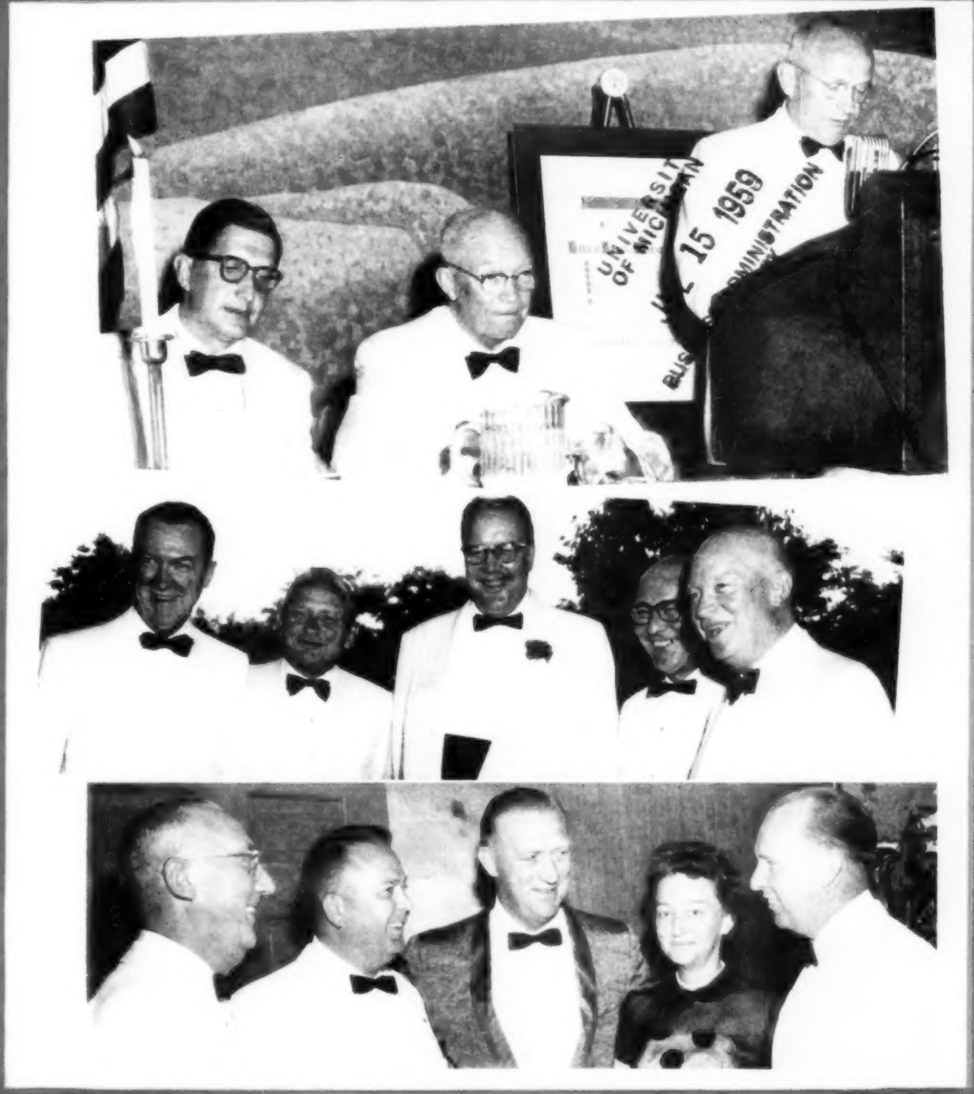
JULY 1959

The Mortgage Banker



Industry salutes FHA on its 25th birthday. Above, President Eisenhower and FHA Commissioner Julian H. Zimmerman with, speaking, former MBA President Aksel Nielsen of Denver, chairman of the sponsoring committee. Center, Dr. Raymond J. Saulnier, chairman, President's Counsel of Economic advisors, who made the principal address of the occasion, Mr. Nielsen; Walter Onslow and James M. Boyd of the sponsoring committee; and the President. Below, FNMA President J. Stanley Baughman, Robert E. Scott, MBA Second Vice President Robert Tharpe and President and Mrs. Walter C. Nelson. During the afternoon preceding the dinner, President Eisenhower received MBA President Nelson at the White House, where he had been invited to call earlier this year, after the President was impressed by speeches made by Mr. Nelson warning of the inflationary dangers in the economy and urging strict adherence to the Eisenhower program for combating them.

MORTGAGE BANKERS ASSOCIATION OF AMERICA
MBA
ORGANIZED 1914

in this issue — — — — — — — THE NEW WORLD OF WORK AND OPPORTUNITY THAT LIES AHEAD IN URBAN REDEVELOPMENT

THE MBA CALENDAR

July 26-August 1, School of Mortgage Banking, Course I, Stanford University, Stanford, California

August 2-8, School of Mortgage Banking, Course II, Stanford University, Stanford, California

September 21-24, 46th Annual Convention, Hotel Commodore, New York

» A RECORD YEAR: New construction in 1959, outdistancing optimistic forecasts, is headed for a record total of $53 billion, Architectural Forum says. The pace for the first four months of the year was so fast that Forum has added another billion dollars to its boom prediction made in late 1958.

The strength of this building surge is concentrated in two major areas—private residential building (up 29 per cent in the first four months) and public building (up 17 per cent). Housing starts in the same period were the highest on record (422,200), and the seasonally adjusted rate was 4,000 units higher than the previous four-month peak of 1,362,000 in 1955.

Public construction, sparked by highway construction and military building, is 17 per cent higher in the first four months of this year than in record-setting 1958. Highway building has risen 25 per cent to $1.3 billion and military building, with increasing amounts going into new missile facilities, has gone up 34 per cent.

Some private construction is not doing so well. Total private nonresidential building is 5 per cent under the first four months of 1958, due largely to a 33 per cent drop in industrial construction. While construction of new stores, restaurants and garages has gone up, office buildings, hospitals and other institutional buildings, and telephone facilities have shown a decline.

One bad spot in public building is the schools, a problem intensified by recent voters' revolts over school bond issues. In the first quarter school building declined 1 per cent, but in April it fell 4 per cent under a year ago. Contract awards in the first quarter were running 20 per cent below 1958, Forum said.

The Mortgage Banker

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Volume 19 **JULY, 1959** **Number 10**

Contents

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Through Chicago Title and Trust Company's *Reinsurance Service,* the company assumes the excess of the risk of the local title company—on property located throughout the United States. You, the lender, are thus assured that your title insurance policy has great financial strength behind it.

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YOU HAVE A STAKE I

If it is not apparent to you yet, probably the reason is that you, like so many others, have not completely awakened to the magnitude of the task which is urban renewal. Some fantastically large sum of money, along with a tremendous amount of energy, is going to be invested in renewing some of the most important and vital facets of urban life during the coming years—Mr. Winnick estimates $26 billion over the next decade. For every dollar of public funds $3 will come from private investment—no very startling observation, in many respects, because current experience plainly indicates about this ratio. The average mortgage banker has been prone to brush aside the whole question of urban renewal in recent years, most likely with the thought that it certainly isn't anything for him. Most of those who have will find they are wrong because mortgage investment is surely going to have a part in achieving the objectives of urban renewal. What has been going on these last several years has been, in a sense, a curtain raiser to getting the real job done. The preliminary planning, the jockeying back and forth, the trials and the dry runs are largely past now and the era of substantial action and accomplishment is here. Mortgage lending has a major role in it, as Mr. Winnick so clearly and convincingly sets forth.

By **LOUIS WINNICK**

Research Director, New York Department of City Planning, at Annual Convention, National Association of Mutual Savings Banks, Atlantic City

E IN URBAN RENEWAL

THERE is no longer any doubt that urban renewal will become a major outlet for mortgage investment. While no one can speak with assurance about the eventual dollar amount of renewal, it is likely we shall be dealing with a total capital flow of not less than $26 billion per decade.

This total will be made up of perhaps $6 billion in public funds and $20 billion in private capital, the latter predominantly in the form of mortgage debt, both conventional and FHA.

My estimate assumes a Federal Title One program of $400 million per year, a matching local contribution of $200 million per year and something over $3 in private funds per $1 of public money, a ratio in line with current experience.

Planned renewal will offer many challenging opportunities to financial institutions—a fact I hesitate to stress since mortgage lenders have actually been engaged in urban renewal long before the term became popular. Financing the redevelopment of economically obsolete parts of the city has been a prime investment activity of financial institutions many generations prior to the advent of Title One, the Urban Renewal Administration and Section 220.

Indeed, even in the 10 years since the Housing Act of 1949 investment in unaided—and unadvertised—private urban redevelopment has greatly exceeded the cumulated volume of publicly-sponsored renewal.

Nonetheless, a large-scale, systematic public program represents a new force in the urban real estate market. What Title One does, in essence, is to create a device for manufacturing a new supply of vacant land at the center of the metropolis. Like all vacant land, this new addition can be offered at prices consistent with highest and best use without regard to the long chain of history and economics which has fixed existing real estate use.

Title One re-creates, in part, the real estate conditions of the infant city of 1859 in the mature city of 1959. As every real estate investor knows, a major limiting factor to new construction in the central city is land assembly. It is no longer possible, for example, to assemble an acre of land in central Manhattan without resort to condemnation.

Demand factors aside—a rather large aside, I fear—it is the availability of sites at economic prices rather than the availability of financing which now determines the rates of construction in many of our large urban areas. Future economic historians may well conclude that of the two aids provided through the Title One program, land assembly and land writedown, it was the former rather than the latter which made the more fundamental contribution urban redevelopment.

The main purpose of land write-down is to achieve a market rent on the replacement real estate. In many instances such write-down aid is unnecessary, i.e., the market would support the new real estate at its full cost, and in most instances the desired rent level could be attained by other means such as liberal credit terms and tax concessions.

Many will feel that my estimate of $2.6 billion annual renewal program is unduly small and falls far short of the measured need. In fact, one estimate now current, places the renewal need at $100 billion per year or $1 trillion per decade, a figure which exceeds by an appreciable margin the total value of existing urban real estate.

The accuracy of such a "needs" estimate is less important than its relevance. I would leave to others to say whether $1 trillion in urban renewal over a decade or even a generation is within the productive capacity of even the rich American economy. What makes the "needs" measure truly unrealistic is that it lies hopelessly beyond the most buoyant expectation of effective demand for new central city real estate facilities.

One of the main points, one which has been seriously neglected in current discussions of urban renewal, is that the scope of future urban renewal will be determined more by demand factors than by Congressional fiat.

No one doubts that, defense emergencies aside, the trend will be toward larger Federal appropriations for renewal. Indeed, under favorable political circumstances one can easily see a Federal program 50 per cent or 100 per cent larger than I have estimated. Although Congress may propose, it is the real estate market that will dispose.

Since few cities can afford large-scale renewal with public facilities, the actual volume of renewal will depend almost entirely on the extent to which occupants can be found for new private real estate improvements built at high and ever-mounting construction costs.

Far too many people have come to believe that a renewal plan consists merely of four-color renderings showing the core of the city as a townscape of new office buildings, hotels, department stores and luxury apartments, all situated in a large and beautiful mall on which can be seen a thin scattering of leisurely promenaders, serene in the knowledge that their two-color cars are safely parked in a distant three-

color garage.

But the one color that is missing in this picture is the dull gray of economic feasibility. Even with 100 per cent write-down, high construction and operating costs will mean relatively high rents, much higher than many prospective occupants would be willing or able to pay to upgrade their space.

The competitive advantage of older real estate facilities, whose capital cost are now sunk and whose rents could fall under pressure to levels which just cover operating costs and taxes, is very real and very powerful. This competitive advantage can be overcome only if the new real estate offers clear benefits in amenities and location.

In those cities where urban renewal succeeds only in redistributing occupants from existing to new real estate, without a genuine expansion in the aggregate demand for space, the resulting vacancies will serve as a retarding factor on the scale of renewal.

It is unnecessary to enter into a long disquisition on the many structural weaknesses that have appeared in the demand for central city real estate since the introduction of the automobile and the shift of urban activity to the outer ring of metropolitan areas.

The substitution of the one-family house for the apartment, the retail shopping center for the department store, the motel for the hotel and the industrial estate for the multi-story loft represent a permanent change on the economic scene.

None of the foregoing implies that a considerable unsatisfied demand for new central city facilities is not present or cannot be generated by renewal. Quite the opposite.

What needs saying is that demand will be neither limitless nor as strong as in bygone eras. Moreover, existing and future demand will be very unevenly distributed among different cities, the parts of a given city, and among the various classes of real estate.

The urban renewal program is still so small that it has not been given an adequate market test. As the number of projects expands, as the number of participating cities grows larger and as smaller urban and suburban areas join the renewal parade, the true depth of demand will be uncovered.

It may yet prove disappointingly shallow and individual cities may discover that their renewal programs are competing for the same set of customers.

Investing in urban renewal, if it is to be successful, will require all the analytic skills that the mortgage lender can bring to bear. He will recognize that the centers of some cities are beyond salvage or, at best, can have only the kind of renewal which results in shifts of occupants from one building to another.

He will recognize that office construction has become more and more restricted to a short select list of major cities, that the central city has less and less to offer the large-scale manu-

facturer of nationally-distributed products, and that a very large proportion of retail trade has been irretrievably lost to the outer rings.

Perhaps the most promising of all renewal real estate—but here again, not everywhere—are residential improvements, particularly apartments in the core and inner rings of large cities.

The reasons for an optimistic view on rental housing are becoming increasingly familiar. Foremost is the fact that 20 years of relatively sustained prosperity and the revolution in mortgage credit terms during this generation have made the choice between owning and renting a dwelling unit—which by and large means the choice between urban or suburban residence—a matter less of economics than of sociology.

It is the age, size and composition of a family rather than its income which primarily determine its tenure and location. The urban rental market has become more and more dependent on the small household: single individuals and married couples on either side of the housing cycle—before the arrival of children and after they have matured.

Between 1940 and 1950, the one- and two-person household accounted for the entire increase in all renter households. Between 1950 and 1956, the proportion of one- and two-person renter households further increased from 41 per cent to 44 per cent; in central cities the proportion of these households is now well over 50 per cent.

Recent studies which have been made (at the N. Y. City Planning Commission and elsewhere) of the characteristics of tenants in new central apartment houses confirm these trends. Eighty-eight per cent of the tenants moving into a large Title One "luxury" apartment in Manhattan consisted of one-and two-person households.

In a second Title One project, designed, through subsidy, specifically for family accommodations, two out of three tenants were adult households without children. The same trend was found in apartment surveys in Philadelphia and Chicago.

One Philadelphia builder of Section 220 apartments who, at the insistence of urban renewal planners, provided a high proportion of multi-bedroom apartments for larger families found (to his relief) that nearly all were taken by childless couples; only 5 per cent of his tenants were familiar with children.

We need not add to this evidence. By now it is plain that central cities—at least certain of them—have retained their attraction for the small household and that the march to suburban homeownership has been largely confined to the family with growing children.

In fact, suburban migration has been far more selective with respect to family type than with respect to income. A recent census survey of New York City showed that, contrary to widespread impression, middle-income families (as now customarily defined) are not disappearing.

Indeed, between 1950 and 1957 the proportion of families with \$5,000 to \$10,000 income in New York grew by more than 45 per cent. But these families are coming to be comprised increasingly of the childless adults, especially couples with working wives.

If this be the demand pattern for the urban apartment market, then the future should bring new strength. For census projections to 1975 show (1) quite sharp growth rates in the age group (20 to 29 years and 50 years or more) which customarily generate one- and two-person households and (2) relatively low growth rates in the age group (30 to 49) which has been suburbanizing so enthusiastically.

These shifts in age patterns have already been taking place and probably explain—at least in part—the remarkable recovery in private rental construction since 1956.

By 1975, persons aged 20 to 29 will increase by more than 14 million accompanied by a sharply higher level of marriages. Young couples tend heavily to seek rental accommodations in close-in locations. Similarly, persons aged 50 or more will grow by 15 million. While the full extent to which older persons will feed the future rental market remains to be seen.

Increases in the 50 plus group will almost certainly generate four to five million additional primary individuals. These are chiefly one-person households who prefer urban renting.

There is a real question, however, whether elderly married couples will be attracted back to the center. Much has been written about the return to the city as suburban taxes and congestion mount and as the cost and inconvenience of commuting increases. But there are remarkably few facts to prove or disprove the existence or likelihood of such a trend.

Our apartment house surveys indicate that only some 7 per cent to 12 per cent of new tenants come from the suburbs but we have no way of knowing, as yet, whether this is a rising, constant or declining proportion.

The chances are that, with large-scale renewal, some return movement can be induced but the beneficiaries are likely to be the very largest cities in which a full range of urban activities are to be found.

In summary, then, urban renewal investment should be given the fullest attention by mortgage lenders, recognizing that the safety of mortgage loans is not necessarily increased by Title One write-downs and that there are, and will continue to be, observable weaknesses in demand for urban real estate.

In many cities, however, large scale planned residential renewal projects can be considered a first-rate investment opportunity, particularly in the case of medium and high-quality apartments, where the 40-year Section 220 mortgages can help achieve competitive rents.

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The ARCHITECT *and the* MORTGAGE BANKER

During the busy years of the past quarter century when, in so many ways the business of the mortgage banker was undergoing a veritable revolution, there has not been time for him to establish the same close relationship with the architect as he maintains with the builder and others. Yet the architect is an important person for a mortgage man to know, and each one should know the other better—as this nationally known architect reminds us.

AN architect can be one of the most valuable business friends a mortgage banker can have if the mortgage banker is aware of the many ways in which he can be of assistance to him.

In fact, the advice of an architect can save a mortgage banker a great deal of time, trouble and money if the architect is brought in early when a project is under consideration. The architect can help determine whether the project is a good one, or whether it should not be undertaken.

Today's modern architect is often so entwined with mortgage banking that he is very much aware of the needs of a mortgage banker in the way of advice and services. The architect has a sensitive finger on the pulse of building cost. He is involved in costs every day of the week and intimately knows the variations in costs from month to month.

Mortgage bankers are often called in to provide funds for a building which is to be remodeled. This can be a difficult project for a mortgage banker to handle unless he is able to determine the increased value of the building which will result from the changes to be made. Not just physical changes, but the economic changes as well.

Since it is his field, an architect can best judge the cost of construction in a contemplated project. On this judgment sometimes rests the amount which the owner can borrow, and the rate. The amount and the rate are determined by the cost of the building, and here an architect is best able to determine the cost of construction as well as the increase in the physical value of the buildings from the standpoint of "time saving devices" that can be used.

There are many "time saving devices" which are extremely important in today's construction field. An architect knows these devices have great effect on the values of buildings since they deal with the appearance and the conveniences offered, and many other important factors.

This is particularly true in office buildings, motels, commercial buildings, and apartment buildings, where color schemes, elevator service, relationship of parking areas to the buildings, and other conveniences play an important part. People have gotten used to greater comfort devices in the last decade or two and they expect and demand them in buildings. The value of these services can be determined by an architect who knows how to build them into a building, or remodel them into an existing structure.

A critical area where an architect needs a mortgage banker most is on "marginal deals" where a company may be a good company but is short on years of experience. Because of this lack, the mortgage banker usually is not inclined to do anything to help these youthful companies. Also, one bad year might put a company out of the classification where it can get a loan.

In these areas, a mortgage banker can be a great help to an architect. To a large extent, as is often said, the "man who doesn't need the money can get it, and the fellow who needs it most can't get a loan."

It is the general experience of an architect that a builder, or an owner, will talk first to an architect about the costs involved before going to a mortgage banker. It is here in the broad area between owners and mortgage people that an architect can be of tremendous service. An architect can facilitate "a meeting of minds" on the costs of a proposed building so that an owner and a mortgage banker can work out the problems of financing. With his wide experience

By **ALFRED S. ALSCHULER, JR.**

Partner, Friedman, Alschuler & Sincere, Chicago

with numerous clients, an architect may be able to show a mortgage banker how to work out the financing of a particular building with information based on his experience with other clients.

In other words, an architect has a vast fund of information available to a mortgage banker on various types of buildings, costs, realty factors, and so on.

The obsolescence of a building is another matter often of interest to a mortgage banker. He wants to know if the building is "up to date" or "out of date," and here again an architect knows what the requirements are and can advise the mortgage banker.

The future life of an existing building can be determined by an architect, as well as the cost of making major repairs in order to bring it back to its best operational state.

Many times an owner will call in a mortgage banker to discuss a proposed building. He won't have a working drawing since none has been made. The building exists only in a plan. Here is an area where an architect, if he is called in, can really help. He can checkpoint the financial picture, determine the cost factors, and provide an idea that is appealing not only to the owner but to the mortgage banker without the cost of making a working drawing.

This is especially true where an owner might not be able to express how he feels about a planned building nor be able to show how he wants it to look and be laid out.

When an architect works with an owner in getting the general picture and scope of a proposed building, the owner is in a better position to go to a mortgage banker and say, "Here we've got a building of so many square feet and the cost will be this much. Now, how much money can we borrow?"

The mortgage banker can use the architect the same way, in verifying his own thinking on what the costs might be. He can save a great deal of time and money, his as well as the owner's, if he verifies his estimates with an architect. If a mortgage banker's estimates on costs are off because of old data, or insufficient data, then he may well be getting himself into an unsatisfactory situation.

There are many more things a mortgage banker should know about an architect, but to sum it up simply: Get better acquainted with your architect. Spend time with him discussing his services and what he can do to help you. You'll learn he can be one of your most valuable business associates.

No Let Up in Rise of Pension Funds

Nearly 4,925,000 persons were covered by 25,730 insured employer-employee pension plans in effect at the start of 1959. The Institute of Life Insurance in its annual survey of pension plans underwritten by life insurance companies reports that in the past ten years, the number of persons covered has more than *doubled* and the number of plans in force has increased about two and one-half times. Insured pension plans represent about two-thirds of all private pension plans in force in this country.

During 1958, a total of 2,510 new insured pension plans were established, with 180,000 persons enrolled for future retirement protection. A substantial number of these insured pension plans were written by the life companies for small business firms.

About $15,500,000,000 was set aside in reserves by the life companies at the start of the year to guarantee future pension payments. These pension reserves, which increased 11 per cent last year, represent about one-sixth of the aggregate life company reserves.

Prominent trends in 1958 insured pension planning, included higher retirement benefits, more complete and earlier vesting, pensions based on the pay-average for the final working years, and more adequate protection for widows of annuitants.

Future annual retirement income to be provided by insured pension plans reached a total of $2,435,000,000 at the start of 1959, more than double the income reported seven years ago. The eventual pension income to be paid out will be considerably larger because group annuity programs, including deposit administration plans, accounting for more than two-thirds of the covered workers having insured pension credits, report only the amounts actually paid for to date.

About one-half of those covered under insured pension plans, a total of 2,425,000 persons, were enrolled under 4,800 conventional group annuity programs at the beginning of the year.

The deposit administration plans, which have had the greatest rate of

growth in the past few years, accounted for 1,500,000 persons enrolled under 2,000 plans. In the past five years, this type of pension planning, which establishes a central fund from which annuities are purchased as employees retire, has increased three times in number of plans and the number of persons covered has doubled.

About two-thirds of the insured pension plans in force at the start of 1959 were individual policy pension trusts, a total of 16,440. These plans which provide for paid-up individual life insurance and annuity contracts under a trust agreement, has an average of 37 workers per plan or an overall total of 605,000 persons.

There were an additional 395,000 persons covered under 2,490 insured pension plans written by the life companies to cover special requirements of pension purchasers.

The aggregate premium payments by employers and employees for their insured pension plans amounted to $1,660,000,000 in 1958, about one-ninth of the entire premium income of the life insurance companies last year, exclusive of accident and sickness. About four-fifths of these pension premiums were paid by employers.

Although a large number of those covered under insured pension plans are in the younger age groups and a high percentage of the plans have been established in recent years, the life companies are currently paying pension benefits at the rate of about $275,000,000 annually.

>> A TRILLION: Ownership of life insurance in the United States with the legal reserve life companies passed the half trillion mark during the first half of this year and by June 30 is expected to be at record $515,000,000,000. This would be $21,000,000,000 more than at the start of the year and would represent an average of $9,000 per family, or well over $11,000 per insured family.

Life insurance ownership per family has more than doubled in the past ten years and is continuing to rise. This is a vital element in the strengthening and stabilizing of family financial programs. Not only do more people own this basic form of protection, but they are setting up much larger individual and family programs of insurance.

Urban Renewal and the Mortgage Banker

As far as urban renewal is concerned, mortgage bankers can be divided into two distinct groups. One consists of a very small number who have seen the possibilities in this effort from the beginning, have familiarized themselves with it and have been active in it. That group is increasing although rather slowly. The other group embraces all the other mortgage bankers who have not as yet, for many various reasons, become too interested in urban renewal. That group will decrease. This article is primarily for them, an attempt to describe in plain language what urban renewal today is, the progress so far and the outlook for the future. Articles to follow in this series will be concerned with the redevelopment of downtown areas citing the achievements in certain cities. Others will be concerned with 220 and 221 financing citing what many mortgage bankers have done under these sections of the National Housing Act.

By **ROBERT J. BERAN**

IN January of 1954, President Eisenhower, acting upon the recommendations of his 23-man *Advisory Committee on Government Housing Policies and Programs,* asked Congress for legislation to provide for the broad-scale clearance of slums and blight, and to aid in the improving and conserving of good neighborhoods. Specifically, he wanted a program to *prevent* as well as to clear slums—and to rehabilitate areas that could still be saved.

Congress accommodated him by passing the Housing Act of 1954, an Act substantially broadening and strengthening the slum clearance provisions of the earlier Housing Act of 1949 which, as originally conceived, had proven to be only a partial answer. It was the first comprehensive housing legislation to be passed since the Act of '49; and—just as most of the major legislation in housing represents a response to some crisis—this Act of 1954 represented a response to an increasing awareness that the decay and stagnation of our cities, magnified by the rapid growth of urban population, was fast becoming a critical problem of national dimensions and concern.

Interestingly enough, it introduced into our American lexicon a brand new term—"urban renewal."

With its emphasis on a comprehensive approach to slum elimination and prevention, and its provisions for Federal aid to city and metropolitan planning, the Act opened the way to a new "total approach" through the use of a wide range of community, private and Federal resources in one strongly unified effort. Indeed, in essence, that is what urban renewal is—a *total approach* to the problem of neighborhood decay. It provides a valuable tool for city fathers to use in shaping the cities of tomorrow.

For, today, neighborhood decay and deterioration—no new phenomenon on the American scene—poses a grave threat to every city in the nation. All over the country, slums are creeping like a cancerous growth into healthy urban areas. Areas that once were valuable assets are becoming costly liabilities because of obsolescence, deterioration and neglect. Often, in our big cities, these "gray belt" sections fringe on the downtown area, causing a decline in property values and a drift away from the concentrated central business districts.

No longer a nation of farmers, America is becoming increasingly a nation of city dwellers. In fact, since 1900—in every decade save one—the growth in our urban population has been at least 50 per cent greater than that in the country as a whole. It is estimated that since 1950, alone, more than 90 per cent of our growth has occurred in or around 168 major cities, defined by the U. S. Bureau of Census as "metropolitan areas." And, over the next 15 years, according to recent projections, this country's population will grow by roughly 55 million persons—99 per cent of which growth will occur in these 168 metropolitan areas. This all means, quite simply, that by 1975 nearly 70 per

cent of our population will live in our major cities.

So, in a very real sense, the future of America's cities will be a strong determining factor in the future of the country as a whole. And, from a realistic viewpoint, the outlook is critical. With the central core of virtually every large American City already surrounded by a dismal and disorderly inner belt into which are crowded its poorest and least privileged families . . . with millions and millions of families living in the filth and squalor of city slums . . . with nearly one million dwellings, almost the same number as new dwellings built each year, sliding down into slum category yearly . . . our cities are, indeed, in deep trouble.

Slum clearance, alone, is not enough; the important emphasis must be placed on slum *prevention*. Blight, which stems from poorly planned areas where houses and neighborhoods have been neglected and misused—and which, unless checked, leads to slums—must be fought at all stages. Very often, however, the cities with the greatest slum problem, have the least capacity to deal with it and cannot cope with the issues of blight elimination and prevention without Federal help.

Rightfully enough, it is logical that this plight of the cities—though local in nature—should be of national concern. And, so, the Housing Act of 1954 (with later amendments) authorized the creation of a series of aids to extend to the communities of America certain types of Federal assistance. To this overall program of Federal aids, aimed at augmenting community efforts in reclaiming and updating their declining areas, is applied the general term of "urban renewal."

Designed specifically to "help communities help themselves," urban renewal does not *start* with either the Federal government or with private enterprise. It must originate with the community itself—with the community's own plans and resources. As such, a basic feature of any urban development plan is its "workable program."

In brief, the workable program is the blueprint—the long-range practical guide—of the actions that a community intends to take in dealing with slums and blight. It must be concerned not only with treating sore spots that blight has produced, but also with preserving and protecting the community as a whole against the threat of blight in the future. By facing up to its slum and blight problems, a community can recognize what has been done and what remains to be done—and will more readily make the commitments which, when completed, will result in a program of action promising success.

What a community has to do to get started in urban renewal

Under its workable program, a community agrees to achieve, within a reasonable time, seven specific objectives:

1. Adequate local codes and ordinances, effectively enforced.
2. A comprehensive plan for development of the community.
3. Analysis of blighted neighborhoods to determine treatment needed.
4. Effective administrative organization to carry out urban renewal programs.
5. Ability to meet financial requirements and obligations.
6. Responsibility for rehousing families displaced by urban renewal and other governmental activities.
7. Evidence of citizen participation and support.

A workable program such as this will benefit *any* community, whether it intends to seek and use Federal aid, or to act on its own without outside assistance. However, for a community to qualify for Federal assistance, a workable program is a statutory requirement. Once a program is developed and adopted by a community's governing body; once it meets the planning and other requirements set by the Urban Renewal Administration, a constituent unit of the Housing and Home Finance Agency; and once it has the approval of the HHFA Administrator, a community is ready to proceed.

Project areas may—and very often will—include both clearance and rehabilitation. For badly blighted areas, clearance will be necessary. Where deterioration is less advanced, the need for clearance will often be incidental and rehabilitation proves the best course. In neighborhoods which are basically sound, enforcement of local codes and ordinances can often stop the inroads of blight and protect the future of the area. In older, more deteriorated sections, code enforcement alone may be unwise without supplementary activities to eliminate blighting influences. It is essential that any community plan for urban renewal be as comprehensive as community needs require, and that it be coordinated with the overall city plan. Each plan for an area must conform to a master plan for the locality as a whole.

To supplement a community's own activity under its workable program, the Act of 1954 included, as an integral part of its expanded approach to urban renewal, the continuance of certain community financial aids authorized by Title I of the 1949 Act; and it added others by which the Federal Government could assist in the main phases of community planning, project clearance, redevelopment or rehabilitation, rehousing of displaced families and other special operations. This assistance, with the exception of mortgage insurance and public housing aids, is administered by the Urban Renewal Administration through the HHFA regional offices. It is provided in a variety of ways.

For example, funds, in the form of *planning advances and loans,* may be advanced to localities to finance all necessary surveys and planning work before actual renewal operations get under way.

Or, assistance may be given in the form of *temporary loans and capital grants,* whereby expenditures involved in the undertaking of projects are financed by repayable loans, which bear the going Federal rate of interest. With the loan funds as working capital, a community can acquire slum land and structures, clear sites and prepare the area for redevelopment or rehabilitation. Then, a capital grant may be used to defray up to two-thirds of a project's net cost—or, in other words, the difference between the return received from land disposition and the total cost of carrying out the project. If, however, a

community elects to pay all costs of planning, surveys, legal and administrative work entirely from its own funds, it can get a three-fourths capital grant.

Total authorization for Federal capital grants for urban renewal, from 1949 to 1958, amounted to $1,350,000,000. And, as is shown by M. Carter McFarland in his recent technical bulletin on "The Challenge of Urban Renewal" published by the Urban Land Institute, "private enterprise and local governments spend about five dollars on construction for every dollar of Federal grant assistance." He points out further that "applying this ratio to the $1,350,000,000 of Federal capital grants presently authorized, we get $7,033,500,000 as the total of direct construction expenditures which could result from the present program over a period of years."

Even these figures, he conjectures, "probably seriously underestimate the nation's expenditures on the renewal and reconstruction of our cities. In a larger sense, it could be argued that all construction which goes on in urban areas, whether related to specific urban renewal areas or not, is a part of the renewal and growth of our cities. This activity might be referred to as spontaneous or natural urban renewal. . . . It has been estimated that by 1960 or 1961, the total national annual expenditures for urban renewal activities defined in this way may amount to as much as $40 billion."

Federal assistance is available, too, in the form of *demonstration project grants*. These special cash grants, covering up to two-thirds of the cost, may be provided for selected demonstration — or pilot — projects, to develop, test and report techniques for the prevention and elimination of slums. Because so much remains to be learned about the tools and techniques of urban renewal operations, pilot projects such as these add substantially to the storehouse of information.

In Baltimore, currently, the plan for one such demonstration project is before the City Council for approval. Designed to test the feasibility of rehabilitation in a one-block area in that city's Harlem Park urban renewal area, the plan proposes a combination of slum clearance and redevelopment, as well as rehabilitation and conservation — to test, among other points, whether property values in the project area will be affected by renewal activities of this plan; whether obsolescence can be overcome by remodeling; whether Federal and non-Federal financing tools are realistic and adequate to assist owners of properties to effectively carry out the objectives of the plan; whether property owners and tenants will participate in voluntary rehabilitation.

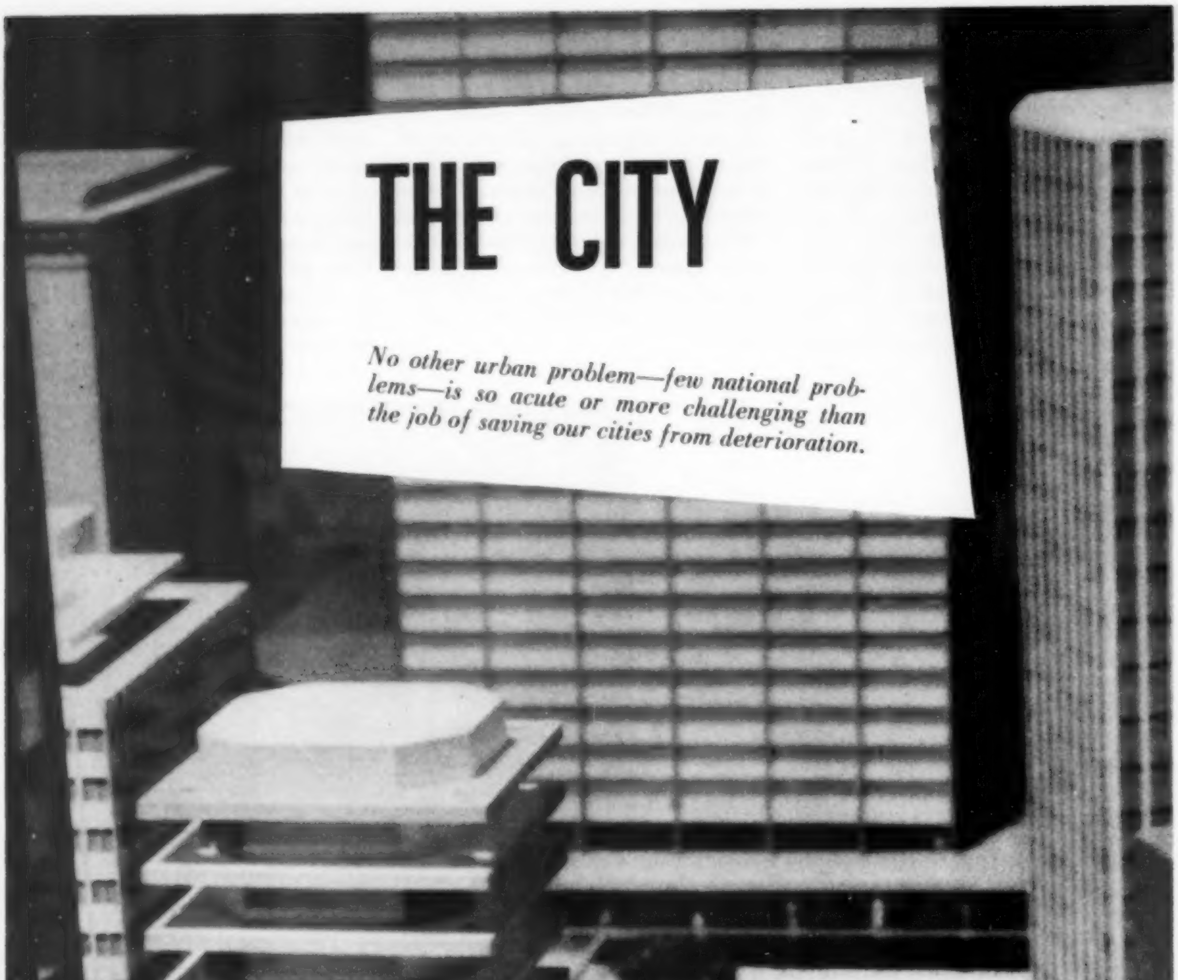
Such are the specifically stated objectives. The project, however, has one other great and far-reaching aim: to show, too, how private enterprise

(Continued on page 27)

City map, 1959 style—but certainly to be in better style before the Sixties have ended. In hundreds of cities across and up and down the land, people are looking at maps like it, spotting the area that most needs saving from blight and decay —and then beginning that long and arduous task of getting some action. What's happened is that American cities have matured to the point where, in places, they have started to go down hill fast. It's a process that, if continued, will bring many other things down with them. This business of saving our cities is a tough and challenging task, one that won't be easy but few doubt that it's a job that must be done.

THE CITY

No other urban problem—few national problems—is so acute or more challenging than the job of saving our cities from deterioration.



The country is all set to go in urban redevelopment. The tooling up has been done, a certain backlog of experience has been accumulated, a vast amount of planning has been done. Yet, says Mr. Rouse —who has been living with this problem for years and can be considered one of the pioneer thinkers and doers—"despite all the enormous thinking, planning and churning, despite all this tooling up, no city in America has yet mounted a program that is even keeping pace with the rate of deterioration in that city. Nowhere in America have we put together the knowledge, the experience and the tools at hand into a planned and programmed effort which has as its target a healthy city in 'X' years. This is not because the problems are insurmountable nor does it mean that we are indolent or inept. It is that we have been in a process of growth. We have been learning what it takes to make a city healthy and livable. We have been forging the tools we need to do the job."

By JAMES W. ROUSE

President of ACTION, Member MBA Board, before ACTION's Conference in Newark

DURING the past 10 to 20 years, we have been forging the tools we need to reshape our cities into fit places for our people to live. We have tested and refined the processes of zoning, planning, redevelopment and housing code enforcement. We have established zoning boards, planning commissions, housing authorities, redevelopment agencies, housing law enforcement units in city government and we have discovered the inescapable interdependence of these processes and agencies. We have begun to recognize the tight relationship between a city's public works program (particularly the highway program) and its urban renewal effort. We have developed citizens' organizations to bridge the gap between the people in the neighborhoods and the people in city hall and we have seen a spontaneous outburst of new organizations designed to marshal business leadership into fulfillment of its responsibility for urban growth and development.

James W. Rouse

But so far, despite all the enormous thinking, planning and churning, despite all this "tooling up," no city in America has yet mounted a program that is even keeping pace with the rate of deterioration in that city. No where in America have we put together the knowledge, the experience and the tools at hand into a planned and programmed effort which has its target a healthy city in "x" years. This is not because the problems are insurmountable nor does it mean that we are indolent or inept. It is that we have been in a process of growth. We have been learning what it takes to make a city healthy and livable. We have been forging the tools we need to do the job.

But now the time has come. The job is clear and the tools are at hand. The people in any American city have it within their grasp to make that city into what they really want it to be.

This is a brand new fact. For the first time in the history of the American city, the people who live in it have available to them powers, facilities, the potential for organization and leadership to make their city into what they want it to be. There have been great dreams about the city and at times, there have been bold plans. Also, there have been conferences which have produced vigorous programs. But the fact is that these dreams and plans and programs, for the most part, could become nothing because there simply did not exist within the city the power to make them real. This is not so now. Whatever excuses others may have had for conditions in their cities — we have none.

ACTION sees a larger role ahead: for in every city there must be a comprehensive study of the metropolitan area; a plan and program must be laid out capable of dealing with the problems that must be faced; and organization in and out of city government to give effect to that plan and program over "x" years.

What does such a total approach embrace? Is it really practical? Let's look at these two questions separately.

First, what's involved in a total plan and program for a metropolitan area?

It begins with planning, comprehensive planning on a metropolitan basis. Planning which will anticipate the growth of the area, the requirements of new housing, business and industry, the capacity and location of new major highways, the location of schools and public buildings. Such planning, embracing the entire metropolitan area, will attempt to fit the right uses in the right places by providing adequately for them where they ought to be.

For example, it will provide for a new central core up-dated to meet the requirements of the automobile age. This will mean major reorganization of the central city with access highways to downtown. Perhaps parking areas will be separated from pedestrian ways and pedestrians will move from office to shops under covered walkways, through pleasant parks. Major office buildings, government agencies, hotels, coliseums, theatres, art museums, major department stores and other major businesses, cultural and entertainment uses designed to serve the population of the entire

metropolis, will be provided for in the central city in an environment where people can not only walk and shop but also rest and smile and breathe fresh air.

The big job in the older residential areas of the city—both slum and not-yet-slum—is to break them up into human-being-sized neighborhoods in which people can live and shop, go to church, play and raise families. We must create, out of our grim, massive inner city, neighborhoods that are in human scale—neighborhoods in which families can feel a sense of belonging, about the care and maintenance of which they can feel concerned, and in which they can take a healthy pride. We must infuse some of the spirit and feeling and scale of the small towns of America into our cities. These neighborhoods must be clearly defined by important dividers such as expressways, schools, parks, public buildings or natural topographic boundaries. Within such neighborhoods, hostile uses such as bars, junk yards and worn out buildings will be removed; commercial uses will be concentrated together; traffic will be routed around instead of through them; small parks and recreation areas will be provided. There will be neighborhoods in fact, not just labels on a planner's map. Business and industry will be accounted for in the over-all metropolitan area plan and there will be convenient access roads from the neighborhoods to places of employment, major business areas and to downtown.

Such a metropolitan area, reorganized to serve the people who live in it, would mean a city brought back in scale with the human being. It would be planned and organized to fit the requirements for business, for recreation and for residential living. It would recognize the lifting force of beauty, of green spaces, of openness. It would honor and uplift the people who live in it instead of oppressing and degrading them.

Execution of such a plan will require strong organization in city government. The agencies, commissions and advisory groups must be consolidated so that powers and responsibility are clearly fixed. Gaps and duplication must be avoided; confusion and uncertainties relieved. There can be little question that it will take a substantial increase in the municipal budget to do the job. This must be measured against what the completed plan will yield in tax revenue and in the values which would flow from an efficient, livable city.

These are the choices which our cities face in redevelopment

Upon completion of a total plan—or rather as a part of it—a complete study would be made of the arithmetic of carrying it out. What will it cost to do it? What will happen to tax revenues? How and over what period of time can it be financed? Is such a total plan and total program really practical? I think so. In hard dollars, as well as in human values, I think it will prove to be a far more practical approach than to try to shore up and patch up our obsolete and inefficient cities, than to squeeze people into an environment that is elaborately degrading to human personality. We have only three choices:

First, allow our cities to unfold substantially without plan, guidance or control, to accept the disorder and decay and ride it out. It is increasingly apparent that we are not willing to do this. There is almost no support for letting our cities rot away. Furthermore the threatening erosion of the taxable base has stimulated, even the most conservative, to an acknowledgement that something must be done if our cities are to survive at all.

Second, follow the piecemeal, project approach in which the country is largely now engaged. The astonishing fact about this approach is that we are willing to invest billions of dollars in a step by step undertaking without any examination of where we are headed in total cost, total effectiveness or total achievement. It is easy to justify what has been happening in America as essential first steps in discovering what to do and how to do it. To prove and test our theories, processes and practices our individual projects have been more than justified, but it is extravagant and irresponsible for the federal government or the individual cities to continue to spend billions of dollars in a campaign which has no total plan, no ultimate objective, no estimate of total cost nor of length of time over which the campaign will be waged.

To a large extent, we have been fighting a battle which no one has thought about winning. Certainly no city in the United States has yet *planned* for victory.

The third course is the one ACTION urges:

» Examine the total metropolitan area and determine what is required to make it work.

» Calculate the arithmetic of doing the job. This means measuring the dislocation and relocations which will be involved and pacing them over a manageable period of years. It means measuring the effect of clearance and rehabilitation on rents and prices; placing this against family incomes and calculating the extent of the need for assistance, if any, to make rents and prices fit with prospective family incomes. It means measuring the cost to the city of public works projects, of the net loss from acquisition and clearance of worn out and obsolete structures; of the substantial organization required to do the job and it means measuring these costs against prospective additions to the taxable base. To what extent will enhanced tax revenues defray the cost, to what extent will additional tax revenues be required and how can they be produced?

We have no business proceeding with urban renewal at all if we are not prepared to face up to these questions. The thoughtful, responsible analysis of the total arithmetic of a total plan and program may reveal many things that are unknown today. Perhaps the program can move faster than we have been thinking — or maybe not so fast. Maybe it is so burdensome that it requires a vast revision in techniques and expectancy or perhaps its burdens are so light that it is extravagant and irresponsible to continue as we are for a single day more than the minimum required to do the job.

Although proof is lacking as to what the arithmetic of total planning and programming might be because, amazing as it may seem, no city in America has actually made the calculation. There is abundant indication that a total program for a healthy city may not only be practical but that to fail to get on with it may be the most impractical action of all. Consider for example:

» The enormous economies to the city in getting the double or triple duty that is possible from a public works program when the construction of every highway, school and playground is related to a plan of neighborhood formation.

» The huge savings to local government in acquisition of land for schools, public buildings and highways if the needs are projected and the sites acquired in advance of development and ahead of need.

» By and large costs have been reduced, value increased and the economies of renewal improved by large scale undertakings. Pittsburgh cleared the vast commercial slum area now called its Golden Triangle, eliminated a major source of filth and ugliness and substituted in its place a beautiful workable central business area. It did this without federal, state or city subsidy—and increased its tax revenues by over $1,000,000 per year.

In Baltimore, there is a project called Charles Center. Considered one of the boldest redevelopment projects yet proposed in America, this will largely demolish 22 acres at the very heart of the central business district. Charles Center recognizes that the best of the central city is obsolete. One of the major shopping streets will be closed and all buildings on it torn down. Into these 22 acres will go nine office buildings, new stores, a new hotel, and civic auditorium, underground parking for 4,000 cars, an underground bus depot, and several small Rockefeller Center type parks connecting the various elements of the center and tying them in with the city around it. This project, which demolishes some of the most valuable real estate in Baltimore, involves no state or federal subsidy, but requires an estimated city investment of $25 million. The city will get for its money, in addition to the new project, a widening of key streets, underground garages and three new parks. The city's entire investment will be returned to it through increased tax revenues in less than twenty years. The assessable base of the central business district which has declined by $17 million in the past five years—$5 million in 1957 alone—will be increased by over $50 million. Tax revenues will be increased by nearly $2 million per year. Charles Center indicates that a bold project completely changing the personality of the center of Baltimore, is a fully hard-headed economic project.

» I had the opportunity to participate in making a study of the District of Columbia for the Commissioners of the District. The purpose was to lay out a workable program for the elimination of slums and blight and for the complete renewal of the City of Washington. This was a limited study. There was neither the time nor budget for the detailed metropolitan area study which should be made. But, as far as it went, it was a sincere and objective study. Consider the arithmetic:

Estimated cost of complete urban renewal	$200,000,000
District of Columbia's share (under federal assistance program)	$ 67,000,000
Estimated increase in real estate tax revenues when renewal completed	$ 7,000,000

Thus the District's entire share would be paid back in 10 years by increased tax revenues. Furthermore, the study disclosed that the District's contribution would be only one-fifth of the 10-year $305,000,000 public works program which had just been approved. This means that a proper integration of the public works program with the urban renewal effort would probably mean no additional capital contribution by the District to carry out a total renewal program. We found that Washington could be made a slumless city in 10 years, that it is economic and feasible to do the total job, and that it is largely a matter of organization and determination to do it.

We can afford whatever we want to do—but must create the want

We can probably afford to do in our cities whatever we really want to do, but it may take some substantial re-education to produce the want. There were no television sets in Baltimore 10 years ago. Today 96 per cent of the families have television. This means that roughly $100 million have been spent by Baltimoreans on television in the past 10 years. Clearly they had the capacity to spend $100 million to satisfy this want.

Suppose the arithmetic of a total program shows that it will take an additional $100 million in tax revenue over the next 10 years to carry out a total program. One of the indispensable elements in raising that money is for the people to *want* what its expenditure will produce. No one yearns for a really healthy, beautiful American city because no one really knows what one would be like. We haven't produced one, we haven't even planned one. A total plan and program could produce an image with sufficient meaning and hope for people to cause them to demand it—and be willing to pay for it.

Herein lies the greatest single problem we face today in bringing about the kinds of cities we know how to build—but are not building. It is our frame of mind.

We really don't expect our cities to be made livable. We have driven through them so often that we seem to be anaesthetized to the filth and dirt and grimness. We put on blinders. In no other area of American life is there such a gap between our knowledge of what to do and our expectancy that it will be done as in our cities.

In Baltimore, we have the first school of public health in the United States. People are brought from all over the world—India, Africa, the Middle East and the Orient—to be trained in public hygiene and sanitation at Johns Hopkins. For years, Yates Cook, a dedicated crusader for better cities, has shown a slide in the foreground of which is a dilapidated brick row house which at that time, was occupied by three families—18 people. One of the families was housed in the dirt floor cellar. All of them had as their sole sanitary facilities a pit privy in the rear yard. In the background of the picture was the dome of the Johns Hopkins School of Public Health. Vividly, here was the gap between our knowledge and our performance in the city.

When Jonas Salk developed the polio vaccine, we overran ourselves with haste to have it administered to everyone in the United States. We would not tolerate death and crip-

pling from polio when we knew the cure and had it available.

Suppose a cure for cancer were developed tomorrow. Would it matter what it cost or how enormous the task of its distribution? As a nation, we would demand that the cancer cure be administered because we could not tolerate death from cancer once we knew what to do to prevent it.

So it is with the automobile and highways. We have learned that expressways can correct congestion and permit traffic to move. We demand expressways and we get them. Think of it—we are planning to spend over the next 20 years, in federal, state, county and municipal highway programs more than $98 billion for new highway construction, $18 billion in federal funds alone.

A few years ago there was announced in Baltimore a project to build a tunnel under the Baltimore harbor. It was to cost $135 million. Once it was announced, there was little question that it would be built. It was a difficult engineering task. It involved major demolition and difficult right-of-way acquisition, but in a few years it was accomplished and thus driving time through Baltimore was reduced by 25 minutes. A year ago, our great new Charles Center project was announced at an estimated cost of $125 million. It would change the personality of our city, introducing a new and magnificently planned central core right in the heart of downtown.

No federal or state aid is requested and the projection shows that the city will get its money back in less than 15 years. It is a completely practical, do-able project and yet, on being announced, it was met with nearly unanimous skepticism. "My grandchildren won't live to see it," was the typical response of the man on the street.

This is at the root of our problem with the city—the low level of expectancy on the part of our citizens. In most important respects we have learned enough, tested enough, proven enough to say that we can remake our city into what we want it to be but most people expect to land a rocket on the moon before they believe their city will be made truly livable.

A total plan, a total program, an image that we all can understand, and arithmetic that will give hope and meaning to that image are essential to lifting our level of expectancy and creating in us a demand for the cities we need.

We are no longer a nation of farmers and small town people. Sixty per cent of our population now lives in the 168 major cities of America. By 1975 nearly 80 per cent of our population will live in our major cities. Our cities, then, constitute the physical environment of our population. Here we stand, the most advanced civilization in the history of man at the peak of our prosperity yet:

» Millions of our families live in slums.

» Nowhere in America is there an effective program for checking the spread of slums into the middle aged areas just beyond.

» In most cities "downtown" is obsolete, deteriorating, unequipped to perform its essential functions and although it constitutes the economic heart of the city, its assessable base is now eroding.

» Our suburban developments pile on one another in a disordered, unplanned sprawl.

» Congestion is everywhere with the automobile overwhelming our people at every turn.

What would we say to a visitor from Pakistan regarding this demonstration of a free society, a capitalistic system, a private enterprise economy, a God-inspired nation? Does this represent the reasonable fruits of our civilization, our economy, our way of life?

On every count, isn't it clear that we must take a fresh, new and big look at our cities? And we must begin with the people in them.

We must hold fast to the realization that our cities are for people and unless they work well for people they are not working well at all. We should think and plan and program, not in terms of schools, highways, streets, stores, offices or even dwelling units but we should begin our total plan and program with the first and fundamental purpose of making a city into neighborhoods where a man, his wife and family can live and work and, above all else, grow—grow in character, in personality, in love of God and neighbor and in the capacity for joyous living. Isn't this the legitimate target of our civilization? Isn't this the only proper target for an effective city?

RENEWAL AND MORTGAGE BANKER

(Continued from page 21)

can be utilized in such an undertaking, to prove to lenders—and, most assuredly, this includes the mortgage banking industry—when and how it is economically feasible to lend money for rehabilitation purposes.

Because municipalities of less than 25,000 population frequently lack funds to carry out effective urban planning, special Federal assistance is provided in the form of *grants for urban planning assistance.* Available to state planning agencies in such localities, a grant of this kind may total up to half the cost of the work for which it is made.

In the utilization of these various Federal aids, neither loan nor grant funds may be used for actual construction or rehabilitation of structures in project areas. Such financing must come principally from private investment or, where public uses are planned, from the usual sources of municipal or public financing.

To stimulate—and encourage—private investment in residential rebuilding and rehabilitation, the Housing Act of 1954 added two new special-type FHA mortgage insurance programs to the National Housing Act.

Section 220, designed to furnish financing support for redeveloping urban renewal areas with good housing of all types, provides mortgage insurance on more liberal terms (originally 90 per cent of value; later amended to 90 per cent of replacement cost) than regular FHA loan insurance programs. It makes possible larger loans and smaller equity investment by private capital than would normally be possible under conventional lending practices. Under this section, FHA can insure loans to finance construction of new homes and apartments in an approved urban renewal project area, or for purchase or refinancing of existing houses or apartments that are to be rehabilitated.

Section 221 provides for FHA insurance—likewise at extremely liberal (100 per cent of value) terms — on new or rehabilitated low-cost, privately financed relocation housing for families anywhere in the community. Eligible for this housing are any families in the urban renewal area—or those displaced by any other type of governmental activity, such as highway construction, etc.

Before FHA can enter the picture the local government must secure official approval of its urban renewal plan from the HHFA Administrator, who certifies to the FHA Commissioner that the area is eligible for Section 220 or 221 mortgage insurance. Then, builders, developers, individual homeowners and investors may apply, through lending agencies, for the needed insurance. When once a community's relocation housing needs have been certified, FHA issues commitments for the number of units needed.

As of February of this year, according to FHA figures, total certifications —under Section 221—reached 89,000 in more than 200 cities.

Where private funds are not adequate to meet the needs of mortgage financing for Section 220 and 221 housing, the Federal National Mortgage Association is authorized to furnish support. Under its special assistance program, Fannie May can purchase or make advance commitments to lenders to buy both types of FHA-insured mortgages. Such purchases and commitments must, of course, be held within prescribed limits. And, very *definitely,* there is a limit!

Despite the increase in its special assistance authorization, as provided by the Housing Act of 1957, FNMA can discharge its responsibilities only to a certain degree. To date, with certain exceptions, there has been no real significant participation on the part of private lending institutions. While community interest and participation by the local citizenry is always wide-spread in any urban renewal area, mortgage lenders seemingly remain reluctant to participate. And, unless private lenders enter more actively into the program, the entire government-sponsored program of urban renewal may collapse.

FHA special assistant for urban renewal, C. Franklin Daniels, warns that this placid reliance on FNMA must end. He warns, too, that FHA has reached the point where it must make certain that financial support in the form of long-term investment will be available, before it can make its commitments. While not too alarmed about private mortgage financing on single-family homes, FHA *is* concerned about multi-family projects. It's in that area where trouble lies—and, in most cities, that is the heart of any urban renewal program.

The Federal government's role in providing subsidies, insurance and other assistance is intended to prepare the way for successful private investment. For, ultimately, the overall success or failure of the entire urban renewal program must depend on the willingness and ability of pri-

(Continued on page 30)

More Reasons than ever
why you cannot
afford to miss—

MBA's 46th CONVENTION

Hotel Commodore
New York—September 21-24

YOUR 46th ANNUAL CONVENTION **is sure to be a very special occasion. It's sure to be the largest MBA has ever held, it's sure to hold the greatest interest for most members because of conditions within the industry, it's sure to offer members the most in profit-making and cost-saving ideas and suggestions and it's sure to offer the most in entertainment and outside-the-Convention activities. A big order? Then look—**

▶ The Convention will about mark the wind-up of the third quarter of one of the most prosperous years this country has ever experienced. But for mortgage men there will be some clouds—this time, the rising cost of money and the questionable supply of loanable funds. Your Convention is the time, the place and the occasion to get the pulse of these all-important factors in the mortgage field.

▶ An excellent program has been provided including, among others, such prominent personalities as: JOHN DE LAITTRE, president of the National Association of Mutual Savings Banks and president, The Farmers & Mechanics Savings Bank of Minneapolis; DALE M. THOMPSON, president, City Bond & Mortgage Company, Kansas City; CAREY WINSTON, president, Carey Winston Company, Washington, D. C.; CARL T. MITNICK, president, National Association of Home Builders; DR. ARTHUR R. UPGREN, Macalester College; PERRY I. PRENTICE, Editor and Publisher, House and Home; DEANE C. DAVIS, president, National Life Insurance Company; HHFA ADMINISTRATOR NORMAN P. MASON; FNMA PRESIDENT J. STANLEY BAUGHMAN; FHA COMMISSIONER JULIAN H. ZIMMERMAN; VA LOAN GUARANTY DIRECTOR PHILIP N. BROWNSTEIN; and several others including a particularly prominent personality on the national scene. The subjects of these guest speakers range all the way from a general appraisal of the economic climate to government and private enterprise cooperation in the mortgage industry to section 220 possibilities on to FHA participation certificates. You can be sure that whatever is pertinent and timely and of interest to mortgage lenders in 1959 and beyond will come in for an authoritative airing at the New York Convention.

▶ MBA's Farm Loan Committee is sponsoring a Clinic and Luncheon where members will hear THEODORE S. GOLD, assistant to the Under Secretary of Agriculture, and DENZIL C. WARDEN of The Connecticut Mutual Life Insurance Company.

▶ MBA's Young Men's Activities Committee will sponsor two events—a reception on Sunday preceding Convention opening and then a breakfast meeting Tuesday where SAUL B. KLAMAN, economist for the National Association of Mutual Savings Banks, will speak.

▶ And for the ladies, you can be sure that New York will—as it always does—have great appeal with literally everything that's worth doing and seeing available to them. But MBA will make it even more inviting by providing a Theatre party to see "The Flower Drum Song" on Wednesday, preceded on Tuesday by a Luncheon and Fashion Show at the Biltmore. (Both included in the lady's registration fee.) Then of course the big social event of the Convention, the annual reopening of Club MBA Wednesday night, is for the ladies too. Tell the ladies about the MBA's 46th Annual Convention—it's the one they won't want to miss!

▶ Have you made your plans to attend? Don't delay. New York's the Convention that's essential to your business—and it's an opportunity to do some investor-visiting while in the East. *First,* if you haven't made your hotel reservation, write the Headquarters Office for necessary blanks for processing. *Second,* registration is $25 for men and $15 for the ladies—the latter's registration includes Fashion Show and Theater tickets. If you haven't registered, do so now—remember, delay could mean exclusion of your name from the advance registration list published prior to the Convention.

vate property owners, investment sources, developers and builders to enter actively into the program. Local programs must include both public and private expenditures and the participation, as well as the support, of the private business community. The only way to gear urban renewal into the normal productive capacity of the nation—to remake America's cities at the rate necessary—is to get the builder, the investor, the lender, the local public authority, and all other interested agencies, to cooperate as a team.

Slums are an uneconomic drag on municipal economy

It is no wonder that throughout the country so much attention is being directed to urban renewal. More than any other Federal activity, it gives promise of eliminating and preventing urban decay and obsolescence, and of helping to remold the face and function of urban America. Because, essentially, urban renewal is a process of investing part of the nation's resources in capital goods—thereby increasing the efficiency and productivity of urban centers—it bears directly on the nation's economy and economic growth. On municipal economy, too, it has a profound effect.

It is a well-established fact that areas of slum and blight are inherently uneconomic from the standpoint of municipal finances. Blight leads to inefficient land uses; it triggers the flight of industry, commerce and housing to the suburbs; it reduces tax collections and increases the cost of municipal services. By improving the assessed valuation of properties in areas where it is applied, urban renewal results in a corresponding increase in tax revenues. A survey by the American Municipal Association reveals that in 123 cities having a total of 294 urban renewal projects, taxes—for all projects before redevelopment—were $26 million; taxes after redevelopment were estimated to total $93 million.

By June of 1960, it is estimated that Federally-assisted urban renewal projects will displace an additional 83,000 families. Another 75,000 families will be displaced by the Federal highway program. Other government actions will displace an additional 89,000. Thus, total displacement will amount to 247,000 families. For these families, housing will have to be provided. In providing this sorely-needed relocation housing, the home builders of America also enter dynamically into the urban renewal picture.

Because it is good business to do anything possible to insure that the American city of tomorrow is a good one, urban renewal offers to everyone—the builder, the realtor, the investor, the mortgage banker—an obvious opportunity to help their community, their country and *themselves.*

To the builder, urban renewal, and the Section 221 program particularly, can be a boon. Low cash requirements, small monthly payments and a ready market offers an enticing prospect.

To the large institutional investor—with so big a stake in the economy of those urban areas in which they are located, it is not only an opportunity to invest, it is virtually an obligation. No other investment will offer a better return, for no other investment contributes so directly to the nation's economic health, as well as stimulating business locally.

There are profit opportunities in urban renewal

To the mortgage banker, and to the real estate management firm—FHA Sections 220 and 221 offer even greater possibilities than Sections 203, 207 or €08 offered in the past. They are tools which can enable those who learn to use them to build up tremendous mortgage portfolios and management departments.

Yes, in urban renewal, each has a stake—and in it, for each, there is sound business opportunity.

Thomas D'Alesandro, Jr., dynamic former mayor of Baltimore — a city well in the vanguard of American cities taking positive action toward urban renewal—summed it up neatly, when he said: "It's a big thing—it calls for bold and imaginative thinking. There is a part for everyone to play and benefits for everyone in the end."

President's Page

THE HIGH PRAISE OF FHA HAS ALL BEEN MERITED

FOR me, as for scores of other MBA members, the paeans of praise for FHA at its recent 25th anniversary celebration in Washington can still be heard. I'm sure that no other federal agency ever received such widespread acclaim as FHA has. At the anniversary celebration it almost seemed as though everyone was vying with everyone else to see who could heap the most commendation on FHA.

Speaking for myself, I fully subscribe to every bit of it. Extravagant as some of this praise was, it will all stand the test of careful analytical examination away from the understandable excitement of an occasion such as the celebration. FHA *has* been a most powerful force in making possible the great volume of home building in the past 25 years, it *has* been a principal reason why home financing has been modernized in an almost revolutionary way, it *has* done more than any other single group to advance a truly scientific appraisal technique and minimum standards of good construction, it *has* been the reason why millions now own their own homes but who, a generation ago, could only have dreamed of doing so. So, we can all agree, FHA has been a tremendous success—I think the finest example of government and private enterprise working together to accomplish a mutually desirable objective we have in the American system.

Walter C. Nelson

But, as wonderful as the FHA achievement has been, there is no reason why suggestions for improvement should not be made—if they hold the prospect for real improvement. I think there is room for improvement.

My suggestions are essentially those which we in MBA have long advocated.

The National Housing Act should be simplified. First, we need a codification of this much-amended statute.

The FHA insurance system might well be altered to consist of one simplified formula for one- to four-family houses, one for rental housing, and one for cooperative housing, and then give to FHA a wide latitude within each one to meet the broadest possible demand. This flexibility would be gained by permitting FHA to adjust its insurance premiums in accordance with its estimate of the risk assumed in the various types of mortgage insurance transactions, and by discontinuing the attempt to regulate interest rates—this latter possibility is the most important of all.

FHA should be given greater administrative flexibility so as to avoid the delays and interruptions in processing which hamper it. FHA ought to be reestablished as an independent, federally-chartered mutual mortgage insurance corporation directed by a presidentially appointed board of trustees, with varying terms.

Because FHA has proved so conclusively over the past quarter century that it is, and can continue to be, a successful financial enterprise, it should be given far wider control over its funds and how it spends them. FHA has not cost the taxpayers a cent, yet after the successful record it has written, it seemingly is still not fully trusted by the legislators.

CAP is an arm of FHA which is very much in the minds and hopes of everyone who sees a continuing record of service but even here I think we can make improvements. I feel strongly that the Certified Agency Program for existing single family dwellings should be made available in all areas—metropolitan and otherwise. I'm equally sure that FHA's contribution in CAP could be improved by concentrating on new construction only in the metropolitan areas. The mortgage industry, with its long and successful experience in appraisals on single family houses on a conventional basis, can give the needed service on existing construction. It's a change we need to give further impetus to in this worthy effort.

Another objective—one which may be difficult to attain—is to remove FHA from the heavy political considerations with which it has become involved. There seems to be a firmly entrenched feeling in this nation today that government can and should solve all social problems—and certainly FHA has come in for its share of social programs aimed at solving first this problem and then that. It just can't be done and it is unfair to ask FHA to attempt all the many and varied social experiments which it has been asked to do within recent years. In essence, then, FHA could do an even better job if its operations were narrowed to those embraced by its original concept: a mutual mortgage insurance agency without the many programs which have been tacked to it in recent years.

Walter C. Nelson

PRESIDENT

CONSTRUCTION *and* Interim Financing

The history of the mortgage business in recent years certainly would have been a different one had not there been the type of close relationship between banker and lender which existed—and by which both have benefitted. This is a case history of one mortgage banker's experience in construction and interim financing—the role the banker played and, at times, the role he has had to assume.

CONSTRUCTION financing is a type of business in which our local banks have a considerable interest. To avoid conflict, we have refrained from active solicitation and as a cooperative gesture we have referred most of this business to the commercial bankers. However, there have been occasions where circumstances have required that we participate. The procedures which we have adopted are relatively simple.

Generally, as to residential construction, this type loan falls into two categories:

- Individual houses to be constructed under the conventional method of mortgage financing.
- A project operation involving the insured or guaranteed mortgage loans.

Where the first is involved, it is normally a situation where an individual owns a lot and contracts with a builder to construct a house according to certain plans and specifications. In this instance, we require a prior recorded mortgage and note, and a copy of a contract which must include a certification by the builder as to the detailed costs of construction. Before a commitment for construction advances is made, we obtain a commitment for the permanent financing from an investor. Once this file is complete, our construction advances are made in three stages. The first is after the completion of the foundation; the second on completion of the framing; and the third when the house is completed. Each advance is predicated on the findings of our inspector that each phase is constructed in accordance with the plans and specifications.

Where a project operation is involved, we normally are confronted with the problem of determining with the builder the most feasible schedule of production. Two important elements enter into this problem. The first is that most builders seek only to control the land as contrasted to direct ownership. To conserve capital, a builder will invariably contract for the purchase of land on some agreed plan of deferred payments. This actually takes the form of a minimum down payment and a provision in the agreement to pay for each lot as the loan is closed.

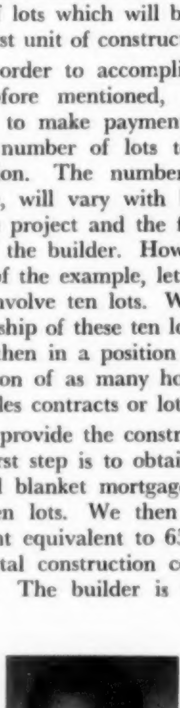
The second item is a matter of sales. This is of particular interest because it precludes the possibility of having construction loans outstanding for an excessive period of time. In this instance, we require that the builder have sales binders for at least the number of lots which will be included in the first unit of construction advances.

In order to accomplish the result heretofore mentioned, a builder is asked to make payment for a sufficient number of lots to begin construction. The number of lots, of course, will vary with both the size of the project and the financial ability of the builder. However, for the sake of the example, let us assume it will involve ten lots. With the clear ownership of these ten lots, the builder is then in a position to start construction of as many houses as there are sales contracts or lots owned.

To provide the construction funds, our first step is to obtain a prior recorded blanket mortgage on the entire ten lots. We then establish an amount equivalent to 65 per cent of the total construction costs for each house. The builder is then free to

***By* A. F. POTENZIANI**

President, Mountain States Investment Corporation, Albuquerque



draw whatever funds he deems necessary, subject to our weekly inspection determining the value of the houses in process. As the houses are completed and the loans closed, the amount of the advance is withheld from the loan proceeds to apply against the construction advance. This, in turn, releases lots under the construction mortgage and makes available the addition of lots in the next unit of ten to be constructed. Thus the cycle is established and continued through to the completion of the project.

Interim financing for mortgage loans does not take the form of the usual type of corporate financing. I refer specifically to the ratio of borrowing to net worth. The capacity of a mortgage company in this regard is much greater than most other types of corporate entities for the reason that, in every instance, the borrowing is secured by a mortgage loan insured by FHA or guaranteed by VA or by a plot of real estate which will be financed by a conventional mortgage.

In our operation, we have established two distinct lines of credit. One line is used exclusively for loans that are committed for purchase by investors. The amount of this credit line will vary in accordance with the amount of commitments we have executed with investors. In 1958, for example, we had total commitments from private investors at any one time amounting to $10,000,000. In each case, a copy of the commitment was furnished to our banks to establish the base for the credit line. The amount of the borrowing on each loan was determined by the prices contained in the commitment, thereby not requiring any part of our working capital. The loan is closed against this credit line with an unrecorded assignment to the bank as security and our note to the bank is paid when the sales transaction for that loan is completed with the investor. The commitment from the ultimate investor herein mentioned does not always establish an immediate allocation of funds for the reason that some commitments may require prior credit approval by the investor for each loan. In such instance, the total amount of the credit line for that commitment is developed on an approved loan basis. Where the commitment does not require credit approval, then the credit line is developed on the basis of the proposed delivery schedule.

The unsecured line actually establishes for us a current inventory of loans available for sale and immediate delivery to any one of our investors. This is a form of warehousing with our own policy restriction that it be turned over at least once every ninety days. This credit line has a direct relationship to our net worth and the amount of available capital funds. The ratio of borrowing on this line varies according to mortgage market conditions, which should be reviewed at least once each week.

The state of the current market has a bearing on what you do

The spread between the current price of loans and the ratio of borrowing also varies according to market conditions. For example, if the market is tending downward, the spread between the amount which can be borrowed on each loan and the price may be as much as five points. On the other hand, if the market shows definite signs of firming, then the spread between the ratio of borrowing per loan and the price may reduce to as little as one point.

Assuming a stable situation, with a spread of three points between market price and ratio of borrowing, then on a $10,000 FHA loan where the price is 97, the interim borrowing will amount to $9400, thereby creating an equity of $300 in each loan. If the available operating capital amounts to $300,000, then your capacity for uncommitted credit lines amounts to $10,000,000 in face amount of mortgage loans, subject to the restrictions of your net worth, which operates as follows:

Assume that you have provided a reserve out of your retained earnings of $300,000 for possible losses. Then this, in turn, supports the $10,000,000 credit line to the extent of the three points heretofore mentioned. However, I am not suggesting or recommending that this extreme be adopted. Our policy has been to determine the maximum and as a matter of sound, conservative business management to restrict our borrowing to an amount substantially less.

If the market shows signs of weakness, we provide an additional safeguard through the medium of a rolling standby, which operates as a form of insurance. Basically, this standby agreement requires the payment of a 1 per cent fee or premium, for which we receive a promise from "X" financial institution to buy, let us say, not more than $1,000,000 of VA or FHA loans at a stated price. This agreement normally runs for a period of one year. As loans under the standby are sold they are replaced by new loans. An efficient mortgage operation should be able to accomplish an inventory turnover of a least four times each year. Therefore, in this example, you would accomplish a $4,000,000 insurance coverage.

It might be well to remember that financing in any form requires a sound relationship with your bankers. This can only be accomplished by complete understanding. A philosophy which should be remembered by all is that no business proposition is good unless all the parties involved share equitably in the profits.

The MORTGAGE COMPANIES

and how they grew

It's easy to get too close to the forest to see the trees—it could have happened to you in your own business. The mortgage business has grown rapidly, and sometimes those in it haven't realized how great has been its expansion in a comparatively short period. Saul Klaman's recent research gives us an idea where we've been—and some pointers for the future.

SO FAR IN 1959 mortgage banking has been held up for some pretty close and searching scrutiny—how fast it grew, its pattern of growth, the success it has had in doing a big job in providing funds for a tremendous amount of house building and other aspects. Some of these other aspects have been sharp appraisals of parts of the business where, it has been suggested, some improvements and changes might be in order. President Walter C. Nelson has been one who has taken a close look at our area of credit and made some specific proposals. William F. Keesler, senior vice president of the First National Bank of Boston, a long time friend of the industry and one who knows and understands every operation in it, has been another.


Saul Klaman

Some of the things you have been hearing and reading these days makes it more important than ever that you not fail to read a remarkable work published earlier this year which, in a sense, is a history of mortgage banking—because it is a history of mortgage companies during the post war period, and that's about what we mean when we talk about the modern mortgage industry. It's by Saul B. Klaman who is now economist for the National Association of Mutual Savings Banks but wrote this study while on leave from his former position as a member of the staff of the Board of Governors of the Federal Reserve System. It's called *The Postwar Rise of Mortgage Companies,* is published by the National Bureau of Economic Research, 261 Madison Ave., New York 16, N. Y., and you can get a copy for only $1—and should.

Some of the highlights from this work—Mortgage companies increased their total assets ten times, from $180 million to $1.8 billion, in the postwar decade.

Their spectacular growth has been far greater than that of other institutions active in the expanding real estate market.

Capital requirements of mortgage companies have been small and earnings high. They are highly vulnerable to shifts in federal credit regulations, and can probably continue their present high rate of growth only if they are able to expand their operations in the conventional home mortgage field, says the Klaman study.

The spurt in growth that doubled the number of mortgage companies from 1945 to 1955 was particularly marked in areas remote from financial centers. This reflects a basic economic function of the mortgage companies: the channeling of funds from capital surplus to capital deficit areas.

The increased role of the mortgage company in the American capital market is the direct result of the advent of a new financial instrument: the government-underwritten home mortgage. FHA insurance and VA guarantees are largely responsible for a great shift in the source of funds in the homebuilding industry and in residential real estate. In the 1920's and 1930's individuals were the chief in-

vestors in home mortgages. Today institutional investors are the dominant source of mortgage funds.

Mortgage companies depend mainly on life insurance companies and mutual savings banks for their mortgage outlets. These institutions have shifted a large portion of their investments from direct Treasury obligations to insured or guaranteed mortgages. In most years, such mortgages have had a net yield considerably above Treasury bonds.

Despite its importance in total use of capital, home mortgage investment remains largely local and individual in character. Local acquisition and management of such loans is important, therefore, and mortgage companies have won their place in the capital market as suppliers and servicers of mortgages for life insurance companies and savings banks investing in nationwide markets.

The volume of mortgage loans serviced by mortgage companies *tripled* between 1951 and 1955. Today mortgage companies service nearly *half* of all federally underwritten mortgages, and *four-fifths* of such mortgages held by life insurance companies, mutual savings banks, and the Federal National Mortgage Association. Like the corporate securities dealer, mortgage companies play an intermediary role in initiating financing. But unlike other financial intermediaries, they originate loans primarily on the basis of prior commitments from the principal lenders.

The financial structure of mortgage companies is relatively simple. Funds are used principally for closing mortgages and carrying them temporarily in inventory. The chief source of funds to finance this activity is commercial bank loans. Thus mortgage companies operate with relatively little of their own capital, Klaman reports, which is particularly small in relation to net earnings.

Although accurate records of net income are not available, Klaman estimates that net income for the industry in 1955 was around 15 per cent of net worth, with a range between 11 and 22 per cent. This compares with a return, in the same year, of 14.1 per cent for consumer finance companies and of 8.1 per cent in commercial banking.

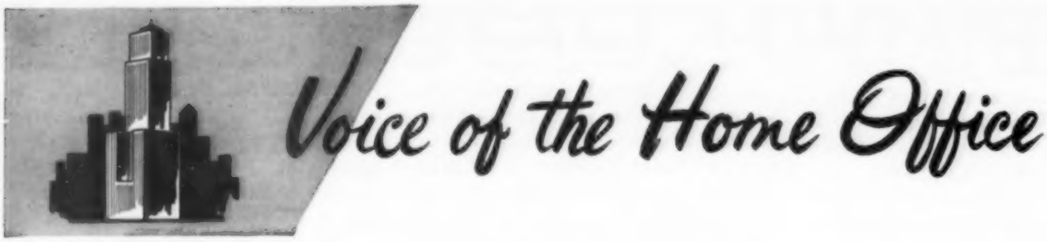
Data developed by Klaman suggests that there is a definite seasonal pattern in mortgage company activities resulting from the nature of the relationship between mortgage companies and institutional investors and the seasonal nature of building activity. The rate of growth in mortgage company assets, mortgage inventory, and bank borrowing rises successively through the first three quarters of each year and declines in the fourth quarter.

By the nature of their operation, mortgage companies are highly vulnerable to unpredictable federal statutory and administrative changes and their future pattern of development and growth will depend heavily on the future course of federal credit aid programs.

"Alternate shifts between ease and stringency in Federal Reserve monetary policy and in capital market conditions have been accompanied by exaggerated swings in federally underwritten mortgage flows," Klaman says. "These swings have coincided with a widening and narrowing of the spread between the relatively stringent interest rates of VA and FHA contracts and the flexible yields of corporate bonds."

"The flow of mortgage funds under federally underwritten programs," he adds, "will continue to fluctuate widely so long as the federal government continues its policy of maintaining relatively inflexible interest rates on VA and FHA mortgages."

The National Bureau of Economic Research is a private nonprofit organization for scientific study of economic data bearing on subjects of public importance. The project on the basis of which *The Postwar Rise of Mortgage Companies* was prepared is a study of developments in the postwar capital market of the United States. Reports in preparation will deal with other developments of the American mortgage market and with other sectors of the capital market—government securities, and corporate securities and loans—and with the quarterly flow of funds through the capital market. The project is being conducted with the aid of a grant of funds to the National Bureau by the Life Insurance Association of America.



A Correspondent Should Show the Yield on Every Loan He Submits

By **S. VAN BERSCHOT**

Vice President, Mortgage Loan Department, Continental Assurance Company, Chicago

MORTGAGE loan correspondents should figure the net yield being offered before submitting mortgage loans to their investors. The correspondent should then decide whether the net yield is acceptable in view of all factors and conditions existing at the time. He must recognize three fundamental facts:

» The price, such as 97 for a 30-year FHA, does not represent a *net* yield of 5.02 per cent to maturity or 5.12 per cent for 12 years after one half per cent service fee.

» Mortgage departments of insurance companies have constant competition for investment funds from other investment divisions. Funds tend to flow to divisions offering best *net* yield with certain allowances.

» Availability of funds locally at a certain price, say 97½ for FHA's, is not sufficient reason for other investors to meet that price if yield is unsatisfactory.

Mortgage departments have overhead expenses and generally it is the highest, percentagewise, of all investment divisions. It is easier and less expensive to buy one million dollars in bonds with immediate delivery than one million dollars in home loans. In our department we are charged with salaries, travel, rent, equipment and all office overhead expenses. These are the same type of expenses the correspondent has.

For example, assume an investor's mortgage department overhead is .20 per cent of mortgage interest income. After allowing one half point for service, the investor's net income on a 30-year FHA at 97 drops to 4.82 per cent to maturity and to 4.92 per cent on a 12-year basis.

The correspondent must realize that the mortgage department overhead generally is much larger, on a percentage basis, than that of the bond department. If the bond department, for example, has an overhead of .09 per cent, a bond or other investment yielding 4.91 per cent, would have the same net yield as a 30-year FHA at 97. This would leave no mortgage margin for non-liquidity and additional expenses that occur in periods of delinquency and foreclosure. Correspondents should ascertain the yield term used by their investors. Many sources use a 12-year life for FHA and GI loans. Our present payment experience indicates a 12-year term for such loans cannot be used, as payments now reflect a longer life.

Investors seek the best return on investments with allowances for safety, liquidity, diversification and other factors. They recognize certain interest margins between yields on governments, good-rated bonds and mortgages. Mortgages have constant competition. This increases if other yields increase and mortgages do not follow the upward trend. It is necessary to keep informed as to present conditions and trends in the money market and yields that are available.

If good rated bonds yield 4½ per cent and more, and private placement and other investments yield 5 per cent or above, mortgage yield will have to be adjusted accordingly to the investors income margin requirements. When good-rated bonds are offered at 4¾ per cent, mortgages yielding 4.82 per cent net lose attractiveness.

In the past there was a six months lag between changes in general interest rates and mortgage rates, but this lag is disappearing. The fact that a mortgage quota is set in *(next page)*

Know Your Investor's Needs

By H. T. DOBBS, JR.

Vice President and Treasurer
Life Insurance Company of Georgia

EACH institutional investor, like each individual, has specific ideas concerning the investment of funds. Each has separate objectives and separate business needs. The correspondent may represent investors which, in addition to varied investment ideas, operate under different state laws, and under national laws affecting different industries. It is not always possible for the institutional investor to explain, point out, or sufficiently clarify all the reasons which exist for the formation of its investment program; nevertheless, that program or pattern becomes reasonably well known to the correspondent after a comparatively short time. Since that pattern, as it affects mortgage loans, has generally been built up over a long period, and since it is sometimes slow to change, this is simply to suggest that all routine loan submissions be presented as nearly as possible in conformity with the pattern, and in as complete form as it is reasonably possible to do.

No correspondent likes to have any loan submission turned down. It is similarly very unpleasant to the investor for the loan submission to be rejected. Much time, effort and actual expense could easily be saved if careful attention is paid to the pattern indicated by the investor. The submission problem is 90 per cent licked if the loan fits the pattern. Of great additional importance is the completion of the package. Screen each submission package carefully to see that all details usually required by the investor are fulfilled at the time the loan is originally submitted. A check list, either as part of the letter accompanying a loan or as a separate form will serve as a faithful reminder. In addition to the usual details of construction, location, etc., see too that accurate and complete credit information is included. In cases of conventional loans, where often corporation leases and individuals are concerned, see that proper credit information for each separate entity is included. In the final analysis, it'll boost your "accepted" batting average considerably.

Now if you should have a loan inquiry of a type or size not covered by the existing pattern or by any recent experience, take time to write or call the investor, outlining the case in as complete form as you'd like to have if you were being asked to give a preliminary indication of interest or lack of interest. The investor may surprise you, he may have handled a similar loan from some other source and may actually be searching for diversification in loans, something other than those regularly covered by the pattern. He may surprise you by indicating a strong interest and request for full details. This may result in a loan (and servicing) over and above normal limits of quota or allotment.

The mortgage loan agent performs an extremely useful service to the public and to the institutional investor. The flow of capital made possible by the investor-mortgage loan correspondent system and the consequent production of homes and business facilities is an invaluable asset to our economic system.

Speaking from the point of view of a life insurance company, we are grateful that this system has been developed and for the efforts of our mortgage loan representatives to provide this worthwhile service. It is our full intention to use our best efforts to see that the system works to perfection.

January should not be assurance that the investor will accept the January yield during the balance of the year.

The correspondent should do what the home office does — reduce the mortgage offering to a net yield basis, allowing for overhead. Then compare that yield with current bond yields, money market conditions and trends, and determine if the mortgage yield margin is sufficient. This is particularly important with respect to commitments involving future deliveries.

MBA Committees at Work

Reports of their activities

Servicing

Three down, five to go

The work of MBA's Servicing Committee is, to use an expression, a veritable beehive of activity. At its recent meeting, Chairman John K. Benoit of Des Moines reported that of the eight projects undertaken three have been completed and the remaining five are well under way. Some of them:

Standardized Mortgage Foreclosure Recommendation Form: This form, designed by the subcommittee headed by Howard Meyer, has been sent to all investors inviting comments and criticisms. While all investors have particular specifications depending upon location, etc., the form has been well received, and of the 140 replies, all but five indicated they would accept this form from their correspondents.

Chart of Accounts: This project originated with the 1957-58 Servicing Committee and the recommended Chart of Accounts, Balance Sheet and Profit and Loss Statement were sent to the committee after the November meeting for comments and recommendations. The Accounting and Servicing staff is reviewing all suggestions, further clarifying certain accounts, and will send to the membership as soon as possible a preliminary chart which will be followed with complete definitions of all accounts.

Standard Release Form: A form has been prepared by a subcommittee and is being reviewed. Although state requirements differ, it may be possible to standardize this form for seven states at present.

Tabulating Equipment for Smaller Servicers: The session designed for smaller servicers at the recent Pittsburgh Clinic was well attended and was equally successful at the Los Angeles Clinic. A manual to be used with the IBM Series 50 equipment will be prepared by IBM and will be made available to all MBA members very soon.

Standard Record Retention Program: Joseph Engleman, chairman, announced that A. A. Johnson, William De Huszar, L. K. Horn, Oddie T. Olsen and Frank Rees will serve with him on this subcommittee. A questionnaire will be sent to all loan correspondents including such questions as:

1. Do you have a detailed ledger record of each mortgage serviced?

2. Do you retain these records until loans have been satisfied?

3. How long are mortgage records retained by you after mortgage has been satisfied?

The subcommittee will attempt to determine how long all major records must be retained to agree with the state laws in most states, the Federal laws, and any rulings from various government agencies. In addition, the committee plans to recommend the methods to be used in storing the records that are required.

Standard Month-end Single Debit Form: Richard Caton, subcommittee chairman, reported that his group will continue to study the various forms in use and determine a standardized form that will probably be accepted by the majority of investors. A reconciliation form has been worked out by the T. J. Bettes Company on the "650" IBM equipment, and Orville Nugent and Richard Caton will review this application. The major difference in most of the single debit reconciliations seem to be in the area of handling of principal curtailments.

The Servicing Committee plans to recommend to the Association that another Electronic and Tabulating Clinic be held in 1960. The first such meeting was sponsored by MBA in New York in September, 1957.

Education

Next, education by mail

Sometime within the not too distant future an important addition to the MBA educational program will be made with the inauguration of a correspondence course to supplement the School of Mortgage Banking and the

other activities within the educational effort. The first phase of the program is already under way and consists of a study and analysis of various positions in the industry. As soon as this information has been correlated, the actual writing of the courses will begin. The effort is under the direction of a subcommittee of which William C. Osler of Harrisburg, Pennsylvania is chairman.

Another Educational Committee project is an "In-Service Training Program" and more will be heard about it at the MBA Convention. A sub-committee headed by Cary Whitehead of Memphis is engaged in the work.

Still another program of the Educational Committee has to do with better liaison with colleges and which has for its objective more courses on mortgage finance in more universities and colleges.

Consideration is also being given by the Committee to issuing a revision of *Mortgage Banking*, the work by Dr. Homer Cherrington, recently of Northwestern University and Robert H. Pease of Chicago.

Still another effort, which is headed by Frank Reed of Orlando, Florida, has to do with expanding local seminar programs and still another, under the chairmanship of Lindell Peterson, Chicago, has to do with a suggested curriculum for college students planning a career in mortgage banking.

Research

The wave of the future

Like every other area of American business, the mortgage industry is getting deeper and deeper into research. The MBA Research Committee, headed by Samuel C. Ennis of Hammond, Indiana, has a number of projects in the works, one of which is devoted to a subject of which mortgage bankers are hearing a great deal today. It is management succession under investigation by a subcommittee headed by Ivan Peck. An initial questionnaire has gone to correspondent member firms and, as a result of the first information secured, the project will be continued and expanded. A select group of the larger mortgage companies will soon be asked for detailed information as to their plans for management and ownership succession. The project will take a considerable amount of research time but, when completed, should furnish a valuable guide for the industry in determining the direction they wish this effort to take within their own business.

Another effort of the Research Committee is the single audit project, also under the direction of a sub-committee. A report on this is expected to be forthcoming before the end of the year.

A third project is the operation of branch offices by mortgage companies, a study under the direction of W. C. Rainford of Granite City, Illinois. Determining the economics of operating branches by mortgage companies is going to take some extensive research and it is not yet determined how it can be achieved. Wide spread branch office operation is still a relatively new thing within the industry and certainly some more complete information is needed.

Conventional Loans

The goal of standardization

That long desired objective—greater standardization of forms and other instruments upon which this business of mortgage lending is based—is slowly being achieved but actually at a faster pace than few would have deemed possible a short while ago. Credit for a major contributing role in this effort is MBA's Conventional Loan Committee under the direction of Carey Winston of Washington, D. C., as chairman.

At the group's recent meeting, members heard a report by Clifton M. Robbins of New York, as chairman of the sub-committee studying a proposed standard loan submission form. This group is seeking to devise a form which will be as brief as possible and yet practical for mortgage underwriting. It is anticipated that at the MBA Convention this fall the form in its final version will be ready for approval.

W. E. Hoose of New York reported on the subcommittee which he heads and has under its direction MBA's Residential Appraisal Report for a conventional loan. Principal effort at the moment is to obtain as wide an acceptance of it as possible by the mortgage industry.

Charles P. Landt of Raleigh, N. C., reported on the Loan Application form and reviewed a series of recommendations for revision. These are all under consideration and likewise a report will be made at the Convention.

Regarding the Personal Financial Statement form, here too some suggestions for revision have been made which are now under study.

Thus various subcommittees of the Conventional Loan Committee have all these standardized forms under further consideration, as well as the new submission form. Considerable progress has already been made as far as standardization goes, but where experience has indicated further revision, it will provide the guide to even more efficient instruments.

YMAC

Training for work ahead

What some regard as a sort of MBA training ground—the Association's Young Men's Activities Committee—is alive with many varied activities. At the New York Convention this year the group plans an open house which should prove interesting and appealing to just about everybody attending the Convention.

The Committee is also interested in legislation and is at work building up a file of young men over the country who can be useful in assisting in the work of the Association's Legislative Committee.

The group is also turning its attention to editorial matters and is contributing a department in THE MORTGAGE BANKER. (There's one this month.) YMAC is headed this year by George C. Dickerson of Jacksonville, Florida.

INSURANCE

A question of coverage

Negotiations between the Insurance Committees of MBA and the National Association of Mutual Savings Banks this year as to the proper amounts of fidelity bond coverage which servicing agents of these institutions should carry has led to an agreement as to a formula which servicers can follow. These discussions were initiated by the Mutual Savings Banks' insurance committee and have been conducted with the corresponding MBA committee headed by Robert A. Taggart of Detroit as chairman. The recommended formula is 2 per cent of the first $2,000,000 of total principal serviced; 1 per cent of the next $8,000,000 of total principal serviced and 4/10 per cent of total principal serviced in excess of $10,000,000. It is understood, however, that the formula is to be followed merely as a guide and is subject to modification on a case basis depending on such conditions as the financial strength of the loan correspondent, the extent of the correspondent's internal control, the size and number of employees in his office, or by the overall risk involved conditioned upon the type of loans made.

In considering the financial strength of the correspondent, it is recommended that the bond could be reduced by one-half or a portion of the correspondent's agreed upon or entrenched working capital or net worth. The intention of the Committee here was to have the formula recognize the financial strength of the correspondent as co-insurance.

It may be further modified by the extent of the correspondent's internal control, as evidenced by the number of his employees and the size of his operation. The Committee's intention here was to have the formula recognize that overall risk may be less in these cases where periodic audits are made and the size of the operation results in strong internal control.

It may be further modified by the overall risk involved as indicated by the types of loans made. The intention here was for the formula to give weight to commercials, industrials, and conventional or insured loans as they may appear in the portfolio; and to the extent that, in some cases, escrows may or may not be retained or collected. The overall intention is for the formula to give weight to the fact that the cash exposure may vary considerably from correspondent to correspondent, because of these different conditions.

The MBA Insurance Committee appreciated that it is a most difficult matter to set up a schedule of suggested bond coverage which would be applicable to all servicers, since types of servicing and financial strength varies so widely. The formula accepted, however, seems to be one which members can freely follow.

Public Relations

Objective attained

One of the principal accomplishments among the 1959 MBA committees will soon be unveiled with the initial showing at the Convention in New York of the MBA motion picture. The film has been completed and is now being edited and processed.

The film, from the beginning, has been under the personal direction and supervision of Brown L. Whatley, who served as Chairman of the Public Relations Committee until this year when he took the assignment to head the film sub-committee. Those who have seen the initial rushes are highly enthusiastic about the film and in New York, it is safe to say, members are in for a most pleasant surprise in seeing it. More about it later.

A department sponsored by the Association's Young Men's Activities Committee, George C. Dickerson, Jacksonville, Florida, Chairman.

The CAP EFFORT IS GOOD *It Deserves Our Best*

Why is CAP a good deal? Why does it warrant every possible effort on the part of the mortgage industry to make it a success? Certainly MBA has set forth the reasons why it thinks CAP is one of FHA's finest achievements—but now let's hear from a young man on the firing line as to what he thinks

AS VIEWED from a mortgage banker's standpoint, FHA's Certified Agency Program offers quite a challenge. It can be the finest tool we have had to work with since the advent of FHA.

Importance: CAP is on the verge of nation-wide expansion. If we make maximum use of the program, it should permeate our mortgage lending system with far more impact than has the Voluntary Home Mortgage Credit Program.

For your own security in the mortgage banking business, do not underestimate the importance of CAP. At a time when we are struggling to get our version of *laissez-faire* across to the politicos, the government has granted a do-it-yourself program which is worth its weight in 10 per cent down, 20-year prime FHA loans.

Perhaps some of us will realize the significance with which our industry regards CAP when we are reminded that Walter C. Nelson's President's Page has placed considerable emphasis on the program by devoting nearly his full message on page 29 of *The Mortgage Banker* for both the March and April issues.

Evolution: In the beginning, the thought was that CAP would operate with as much similarity to conventional loan procedure as possible. In fact, in the early stages of planning, it was considered desirable to have both the appraisal and the processing accomplished by the Certified Agent alone. This would more closely follow most conventional loan procedure; however, a need for more "checked and balanced" technique became obvious. Even though the physical appraisal is done by authorized appraisers appointed by FHA, the certified agent has a qualified jurisdiction over the resultant work of these authorized appraisers and inspectors. We, as certified agents, are expected to police their work, to correct glaring deficiencies, and to generally exercise control as a direct agent of FHA in the entire transaction.

There may still be confusion on the part of some as to whether or not the CAP part of FHA makes allowance for standards of lower caliber than the "regular" time honored FHA program. Perhaps there is some basis for such confusion. For example, at one of our first CAP meetings a question arose concerning the acceptability of a CAP loan on a house across from a junk yard. The answer was a reluctant affirmative—if the lender considers the loan a prudent one. Yet last month, FHA Field Office instructions to all appraisers said that CAP *does not* possess any different or lowered standards of performance. As a matter of fact,

By **B. D. HUDGENS**

Vice President, Mercantile Mortgage Company, Carbondale, Ill.

within our own company, we have endeavored to apply higher standards to the CAP in order to make a safe, sure start in the program. However, since CAP is an integral part of FHA, its standards must be identical to those applied in the so-called regular FHA program.

Responsibility: If an FHA-type loan is at hand, three ingredients are necessary to make it under the Certified Agency Program.

First, there must be a certified agent who must follow the law and the regulations, and who uses prudent lending judgment. The certified agent's main functions within the above framework is to process the papers, to analyze the credit of the borrower, and to commit FHA.

Second, there must be an authorized appraiser who knows and understands the techniques of FHA. He must within this framework know the MPR and/or the MPS, and he must know the approach to value involving reproduction, comparison, and capitalization, by whatever names they may be otherwise called.

Within the second ingredient, in prior approval cases, there must be an authorized inspector whose qualifications must be at least those of the appraiser, and preferably higher.

Third, there must be FHA to insure the loan, to guide, to regulate, and to assist with advice. FHA will, wherever possible, make careful spot checks in order to assist and advise certified agents, appraisers and inspectors with constructive criticism. This is highly desirable in such a program to make it conform to the long-established FHA way.

In order to coordinate these three ingredients, FHA will hold various meetings for appraisers and inspectors as well as meetings for certified agents. It is nothing less than compulsory for each authorized appraiser and authorized inspector under FHA-CAP to attend each meeting to provide additional instruction. This training is logical since FHA's proven procedures must be taught and followed to prevent chaos in the technical part of the program.

We must remember that those who are called by FHA to such familiarization sessions must attend. Those appraisers and inspectors who are absent, regardless of cause, may be automatically relegated to a suspended status, until further training is obtained. This temporary withdrawal by FHA of names on the active rotation list may be done without notice until training is resumed.

This point is the crux of the biggest problem inherent in CAP, especially for the outlying areas for which CAP can work so well. The problem is that of obtaining in the first instance, and thereafter keeping trained, those people capable of doing an acceptable job of appraising and inspecting for you and for FHA.

Your responsibility in CAP may be greater than you realize

It is a mandate of the program for MBA members to seek out these men and women among lenders, the building trades, contractors, and among real estate people, to become authorized and approved by FHA and to accept the required training to maintain a high level of proficiency in the Program. You will undoubtedly find this search for qualified people a very real problem.

It is important to point out to those who contemplate using CAP that insurance of a note by FHA may not be withdrawn except under the same procedures as those long established under Title II. To go a step farther, FHA has said it would not deny insurance issuance on a CAP processed note except in a case of fraud, a violation of the law regardless of intent, or gross neglect and carelessness giving rise to a substantial disregard for the fundamental responsibility under the Program.

It is of course apparent that FHA may remove certified agents, authorized appraisers, and inspectors if they are found to be unqualified.

The responsibility of any agent under CAP is greater than might be realized at first. You must do all the things that FHA has learned to do. You must do these things as well or better and with greater speed. On the other hand, you have the benefit of FHA's help and the aid of a clear procedural channel as devised by the FHA through years of experience. You must ignore a legal axiom which says an agent must not have two principals (FHA and your investor or loan committee).

The old cliché—use me or lose me—is applicable to CAP. Many MBA members can be criticised for not making better use of the program. None of us would deny that speed in loan processing, simplicity in loan processing, and an overall expansion of the FHA program have all become competitive necessities. These three problems of speed, simplicity and expansion can find a high degree of solution under a smooth flowing Certified Agency Program. Do not be misled by all the flowery words that have been said or written about CAP because not everyone is in favor of it. Let's not allow the time to come when we lament over another discarded program which may very well have been our last opportunity for self-help in our own best interest.

Holdings of real estate by U. S. life companies on March 31 were $3,450,000,000, up more than $250,000,000 from a year ago and $74,000,000 more than on January 1. Commercial and industrial properties for lease led the holdings, accounting for $56,000,000 of the quarter's acquisitions.

First house in U. S. built with FHA financing. In Pompton Plains, N. J., it is still occupied by original owners.

FHA

Born June 27, 1934

25 Years and 5 Million Home Mortgages Later

FOR some people—in fact most people—who have a habit of forgetting that time has a tendency to pass faster than one would wish, the idea that FHA has rounded out a quarter of a century seemed a little startling. But here it was, June 1959, and FHA was 25 years old—and it was time to recognize the event. What had been merely a new and untried idea a quarter of a century ago, beset by doubts and misgivings in many quarters, was now one of the great successes of government. No other federal agency set up during the turmoil and changing conditions of the past 25 years had proved so successful as FHA, none had served more people so well, none had achieved the objective set for it as completely as FHA had done.

From everywhere, from many industries and many areas of lending and credit, came the leaders to pay their tribute to a magnificent accomplishment in government and private enterprise working together. The 25 years that have passed since this event have seen the greatest wave of home ownership and improvement in the history of any country.

All of it has been accomplished on a sound business basis at no cost to the taxpayer. Indeed, the program has not only paid its own way, but has returned all government funds advanced, plus millions of dollars in interest.

In addition, substantial refunds have been returned to families financing their homes under this plan. The social and economic benefits of the FHA program to the nation are incalculable indeed, as no one would deny today.

The specific occasion to celebrate FHA's 25th birthday was an Industry Salute dinner in Washington by a sponsoring committee consisting of the principal trade associations, representing the principal industries which have contributed to FHA's success. MBA's own former President, Aksel Nielsen of Denver, was chairman and the principal address was delivered by Dr. Raymond J. Saulnier, chairman of the President's Council of Economic Advisers. More than fifteen hundred came for the occasion, to look at the record of what had been done and, for many, to reflect as to how all this could have been done in such a relatively short period of time. Many were there who could well remember the first FHA loan and many could recall what an event it had been when the first life insurance company went into FHAs.

The record to inspect was an impressive one, indeed. Insurance written by FHA from the beginning through 1958 totaled more than $53 billion. FHA mortgage insurance had helped to provide homes for five million families and housing for 800,000 other families in rental and cooperative projects. It had helped to repair or improve 22 million properties.

Delinquencies on property improvement loans were at an all-time low of less than 1 per cent, and home mortgages in default were less than six of every thousand on which insurance was in force. Aggregate losses to FHA insurance funds were remarkably low, and insurance reserves amounted to nearly $700 million. About $86 million had been distributed to mortgagors in the form of participation shares.

The FHA experiment has been successful. It has proved itself under every kind of stress except a major depression, and its stabilizing influence is one of our chief bulwarks against the onset of depression. It has helped mightily to create the greatest 25 years of progress the nation has ever had in housing. It has been the outstanding single influence on American housing in this century.

Seldom, if ever, has an arm of government come in for such high praise as did FHA on its anniversary.

Said MBA President Walter C. Nel-

The tributes to FHA begin and at one area of the two long speakers tables are Carl T. Mitnick, President, National Association of Home Builders, former FHA Commissioners Franklin Richards and Guy T. O. Hollyday; Representative Clarence Kilburn of New York; Senator John J. Sparkman of Alabama; FHA Commissioner Julian H. Zimmerman; President Eisenhower and, speaking, Chairman Nielsen. Some who were there, MBA Vice President B. B. Bass of Oklahoma City; Mrs. Ruth Bettes of Houston; Mrs. Samuel E. Neel, Washington, D. C. and Mr. and Mrs. Guy T. O. Hollyday of Baltimore.

son, "in a comparatively short period, it has successfully brought about major improvements in mortgage lending practices that have made unlikely a repetition of the catastrophe in the mortgage market amid which it came into being. It has made homeownership safe and possible for millions of families who otherwise would have been excluded from the market. It has made possible the movement of mortgage funds to all parts of the nation and has greatly reduced the differentials in the cost of mortgage money from one part of the nation to another.

"At the same time, FHA has been successful in bringing about major improvements in the characteristics of new housing. It has made the compliance with minimum construction requirements an integral feature of the financing operation. It has proven the wisdom and economy of good neighborhood planning and, through its requirements for new subdivisions, has effectuated a major upgrading in the attractiveness of the living environment. It has been mainly responsible for the spread in popularity of the garden-type apartment.

"The achievement of FHA becomes all the more significant in the fact that it has been accomplished without coercion and without cost to the general taxpayer. The FHA system is a voluntary system. It is open to all borrowers of good credit and to all responsible institutional lenders; but no one has to participate in its operation. It has succeeded by the appeal of its merits and not by governmental pressure or command.

"FHA stands today a thoroughly solvent, self-supporting institution. The money advanced by the Treasury over its formative years has all been repaid with interest. All the expenses of its administration and all contributions to its loss reserves (now sufficient to withstand a shock like that of the 1930's) are paid by those who benefit from its services. FHA is essentially a private market institution operated under the auspices of government. As such it constitutes a unique and successful demonstration of how forces of industry may be combined with the prestige of government to advance the common good.

"As the element of the industry most intimately associated with the FHA operation, mortgage bankers look forward to many years of continued participation in this demonstration. The need for a national system of mortgage insurance and for the advantages that flow from it will be even greater amid the greatly increased demands of the next generation than they have been in the past."

>> THE FHA STORY: The story of how FHA began, the circumstances surrounding its creation and the difficulties which beset it in the beginning is as fascinating a story as can be found anywhere in the annals of government or business.

FHA, on the occasion of its anniversary celebration, was successful in bringing the facts of the agency's interesting growth into focus and set them forth in a brief booklet called, "The FHA Story in Summary." Whether you are an FHA mortgagee or have ever made a FHA loan, you would find this year-by-year account of FHA's birth and development of absorbing interest. Everyone knows how it came about as a direct result of the most severe business depression the country ever experienced, but relatively few, it is safe to say, know some of the outstanding work done in the beginning. Today Winfield W. Riefler is a well known figure in Federal Government as Assistant to the Chairman of the Federal Reserve Board, but until the FHA celebration few realized that he was the originator of the idea on which FHA was built. Another prominent figure in early FHA was Miles L. Colean. Of the eight men who have served as FHA Administrators or Commissioners one is Guy T. O. Hollyday of Baltimore, a former President of MBA. The first two men to head up FHA, James A. Moffett and Stewart McDonald, are now deceased, but all the others, beginning with Abner H. Ferguson, who assumed office in 1940, have worked in close cooperation with the succeeding administrations of MBA.

Because the mortgage banking industry has changed so rapidly and has

From every area of housing, building and credit came representatives to participate in the FHA celebration, but there were more from the mortgage industry than any other. Some of them were Tyler B. Green, Commerce Union Bank, Nashville; Herschel Greer, Guaranty Mortgage Company of Nashville; Ernest Schumacher, Schumacher Mortgage Company, Memphis and Frank C. Taylor, Mutual Benefit Life Insurance Co., Newark. At one of the tables, right, were Mr. Schumacher, upper center, and, left clockwise around the table, Sidney H. Tinley, Jr., Weaver Bros., Inc. of Maryland, Baltimore; W. D. Galbreath, Percy Galbreath & Son, Inc., Memphis; Mr. and Mrs. H. E. Peterson, Life Insurance Co. of Virginia, Richmond; Mr. and Mrs. McCormick, Glenn E. McCormick Co., Inc., St. Petersburg and Frank J. McCabe, Jr. of MBA.

almost been revolutionized during the period of FHA's existence, any mortgage man will find this brief recount of FHA's history of interest. To get a copy all you need do is write to FHA in Washington.

"Today's housing problems and tomorrow's," FHA Commissioner Julian H. Zimmerman said, "are as challenging as those faced by FHA at its inception. Their solutions require the same kind of imagination and forward thinking, the same refusal to be bound by outworn tradition, that have made the history of this agency outstanding. Stodginess has never characterized FHA.

"We have come a long way since 1934. We still have much farther to go before the housing of all Americans adequately reflects the greatness of our country. Our housing sights today are higher and wider than ever before. We are attacking housing problems on a broader front. We are looking ahead to meet the needs of a fast-growing population and an expanding economy."

Now, to take a look at some current vital statistics concerning FHA:

The typical mortgage insured by FHA on a new home in 1958 represented 91.5 per cent of the property value, the highest in FHA history. The comparable figure for 1957 was 85.1 per cent.

Smaller downpayments and higher-percentage loans in 1958 caused the monthly mortgage payment on the typical new FHA home to rise from $90.29 in 1957 to $96.10 in 1958, even though the average repayment period lengthened from the 25½-year term prevailing since 1955, to 27.3 years.

The appraised value of the typical new home financed with an FHA-insured mortgage decreased slightly, from $14,261 in 1957 to $14,207 in 1958.

Land prices continued during the year in the upward trend they have shown since World War II. The price of the average new-home site rose from $2,148 in 1957 to $2,223 in 1958. This meant that the site represented a larger share of the over-all property value in 1958—15.4 per cent compared with 14.9 per cent the year before.

The typical new FHA house in 1958 had an area of 1,092 square feet, compared with 1,105 square feet in 1957. The typical new house in both years had 6 rooms, including 3½ bedrooms. A slightly smaller proportion of the houses in 1958 than in the preceding year had garage facilities —72.7 per cent in place of 76.6 per cent.

The income of the typical FHA new-home buyer in 1958 was $6,803 ($171 higher than in 1957). He financed his home with a mortgage of $12,697—compared with $11,823 in 1957—and took on estimated housing expense (mortgage payment, maintenance, and utilities) of $120.87—$5.70 higher than in 1957.

In 1957, FHA reviewed its mortgage credit policies and suggested to its insuring offices that many home buyers could safely devote a larger share of their income to housing expense. This has had something to do with the fact that the ratio of housing expense to income for buyers of both new and older homes rose from slightly less than 20 per cent in 1957 to 20.4 per cent in 1958.

Similar trends were evident in 1958 for both new and older FHA homes, except that the value of the typical older property increased from $12,572 in 1957 to $12,778 in 1958. The average loan term increased from 22.5 years to 24.2 years; the typical ratio of loan to value rose from 84.9 per cent to 90.2 per cent and the total monthly mortgage payment from $85.54 to $90.30.

The typical FHA buyer of an older home in 1958 had an income of $6,502. He financed his home with a mortgage loan of $11,325, and took on monthly housing expense of $115.31, representing 20.4 per cent of his income. His house had an area of 1,053 square feet, with six rooms, 3 of which were bedrooms. About 75 per cent of the older homes had garage facilities in 1958, compared with 78.5 per cent in 1957.

Meetings . . .

. . . in Los Angeles

Every time MBA holds a Servicing Clinic it becomes more and more apparent that there is an inexhaustible fountain of interest in this vital phase of the mortgage operation. Attendance at, and interest in, the meetings plainly reflect the keen desire of originators not to overlook any suggestion or plan that will make servicing more economical and efficient. There is also wide recognition of the fact that while there are many factors governing the mortgage business which we can do little or nothing about, the servicing operation is the place where we can always make improvements, always seek additional cost-cutting ideas. The Los Angeles Servicing Clinic, the last in MBA's 1959 such meetings, was attended by more than 300. It was under the direction of Stephen H. Dolley, vice president, Winter Mortgage Company.

The special conference sessions have proved to be popular and valuable parts of the Clinic meetings. Here W. R. Hizar of Mortgage Investment Corp., San Antonio is conducting some discussion on collections and delinquencies and, right, Richard M. Karns, Home Mortgage & Investment Co., Oklahoma City, conducts one on escrow analysis. Some of these round table seminars were conducted twice. Below, a general Clinic ssssion and, right, the luncheon meeting.

. . . in Portland

The nearly 200 MBA members who gathered in Portland for MBA's Western Mortgage Conference carried away a bountiful assortment of facts and ideas, representative of their multi-faceted industry.

"The outlook for home building for the remainder of the year is excellent and a projected 1,300,000 starts can be met," so said MBA President Walter C. Nelson. But, he did caution that many things could be done to improve the situation and make lending funds more easily available. In singling out the mortgage firm's application-taker as the "best salesman a builder has," Portland builder, Douglas Lowell said, "this matter of taking applications . . . has a great reflection on the future contacts with the client, not only for the morgage company but, also in so far as the builder is concerned."

"Inflation," emphasized a past president of MBA, W. Walter Williams, "need *not* be inevitable; a little inflation is *not* good for the economy; and prices need *not* continue their merry rise. If we are to provide an important ingredient for healthy economic growth and stability," he suggested, "we must have our federal budget house in order." Sounding a warning note, C. Franklin Daniels, FHA special assistant for urban renewal, spoke of the need for . . . "greater participation by private lenders in the government-sponsored program of urban renewal—or it will collapse." The mortgage banker's placid reliance on FNMA must come to an end, he reiterated.

In photos above, that's Albert L. Buchner, Portland; Earl McCarthy, Spokane; Samuel E. Neel and Frank J. McCabe, Jr., of MBA; W. Walter Williams, Seattle. Then, Franklin W. White, Conference chairman, Portland (second from left), with FHA special assistants Edwin O. Callahan, Mrs. Mary Cleverley, C. Franklin Daniels.

SEEN THERE: In quartet above, Douglas Lowell, Portland, and MBA President Nelson (third from left) with Messrs. White and Buchner. Below them, Albert A. Drawbert (left) and Don McGuiggan (right), both of Minneapolis; with Charles A. Jostes, San Francisco; and R. L. Christianson, Eugene, Ore. In photo, upper right, Howard M. Hughes (left) and Bill Olson (right) both of Portland, with John E. Austin, YMAC breakfast meeting moderator, and Richard G. DeDonato, both of Spokane. Trio below consists of Portlanders James F. Kavanagh, Douglas D. McIver and Robert M. Fletcher.

Servicing Tips from the Top

A monthly department about Mortgage Loan Servicing conducted by W. W. Dwire, Citizens Mortgage Corp., Detroit, and member, Mortgage Servicing Committee

Photocopy Cuts Costs of Borrowers' Statements and Audit Confirmations

By **DAN W. MIDDLETON, JR.**

Vice President, Kirbo, Mills & Alpin, Inc., Jacksonville, Fla.

EACH year all mortgage companies are faced with the dual problem of (1) furnishing borrowers with information for preparing their income tax returns; (2) obtaining borrowers' confirmation of their principal and/or escrow balances for audit purposes either by the company's CPA firm or the investors' examiners.

Recently emphasis seems to be placed on borrower confirmation of both principal and escrow balances on a selected number of serviced loans as an essential audit procedure to enable certified public accountants to give the standard certificate or opinion suggested by the American Institute of Accountants. To furnish the special audit certificate required by FHA from mortgage companies that comingle escrow funds for FHA loans with tax and insurance deposits for VA and conventional loans in the same bank account for greater operating efficiencies, direct confirmation of escrow balances with the borrower is more necessary.

Three years ago our auditors made their annual examination just after we had taken over five additional servicing portfolios for three new investors. Previously we had serviced for only one investor. We were deluged with inquiries from over one-third of the borrowers selected for principal and escrow confirmations. Another wave of inquiries developed later when the audit division of one investor made direct requests to a selected number of its mortgagors for confirmation of principal balances. Form letters with fill-in amounts of taxes, hazard and FHA insurance premiums, and interest were used to give borrowers information for income tax returns. Besides requiring extra help for preparation and mailing, these form letters brought a flood of inquiries. Some mortgagors wanted principal balances or more detail of interest or other items. Others questioned our figures when they could not reconcile to information they had.

Simultaneously, an outburst of inquiries developed from escrow shortage notices. Along with general increases in city and county real estate taxes throughout our territory, many escrow accounts had not been analyzed for several years. Deficits appeared in over 500 escrow accounts.

Correspondence, telephone calls, and office conferences necessary to answer this staggering volume of questions and complaints were burdensome and expensive.

We tried a new technique. Applying the recognized advertising principle that one picture tells more than a thousand words, we experimented with sending a photocopy of their mortgage payment and escrow accounts to the borrowers requesting income tax information. We found that complete disclosure strengthened confidence in our accounting and generally improved borrower relations. The mystery was removed from escrow accounts when a borrower could check our figures. He could see how his deposits were spent. Of course, there were at first some and still are a few mortgagors that our statements do not satisfy. But the wide favorable reception we think has proved the customer relations value of the photocopy of our record as an annual statement. Our internal audit procedure was improved, in that effective confirmation was obtained on a broad cross-section of from 30 to 35 per cent of our borrowers who requested these statements. As may be expected, these mortgagors promptly report all observed errors—real or imaginary.

Our certified public accountants liked the photocopy idea and attached one to each request for confirmation instead of stating balances. They thought this a more realistic confirmation approach, since most borrowers maintain no records but rely on our accounting of their mortgage and escrow payments. An exact copy of his account thus enables a mortgagor to check his cancelled checks or receipts against our record or at least, by inspection, observe the status of his account and question anything not clear. Quick reconciliation is facilitated for those borrowers who keep complete records.

Also, the photocopy expedited and simplified preparation and mailing confirmation requests. Our auditors made a random selection of drawers of our Addressograph plates to confirm 15 per cent of serviced loans and all unsold loans. All clerical detail of preparing and mailing the requests, including multilithing the forms used, and running the photocopies was performed by our staff. The auditors reduced their work to close supervision of mailing to maintain control.

Several attorneys and accountants who prepare tax returns for our borrowers have commented that the photocopy-statement showing complete details is preferred to a form letter giving only summary figures in

which undetectible clerical errors may easily occur.

Our Transmittal Of Mortgage Loan and Escrow Statement form which explains our procedure and posting codes, we feel, has contributed greatly to the wide acceptance of the photocopy-statement and facilitated rapid handling of requests for income tax information. Photocopies are run and mailed daily as requests are received.

Using photocopy has proved time-saver in many ways

Using photocopies of our records for annual statements and in obtaining borrower confirmations for our auditors has meant worthwhile savings to us and provided better service to the mortgagors. Continual overtime formerly necessary during the peak-load first-of-the-year has been almost completely eliminated. Extra help previously required is no longer needed. Promptly furnishing statements when requested has reduced call-backs or follow-up requests. Last year when our auditors first sent a photocopy of our record with their confirmation requests, only about 20 differences were reported. This year (1959) out of over 800 confirmation requests mailed, only four differences were reported. These were easily explained by notes on another photocopy of the record and/or a photocopy of the amortization schedule instead of a lengthy letter. Out of more than 2,000 statements furnished this year for income tax purposes, less than 50 borrowers have requested further explanation of information. Again, these requests were answered by notes on a photocopy of the record rather than by a more costly and time consuming long letter.

We also find the photocopy-statement with explanatory notes is an effective and simple means of clarifying escrow deficits that borrowers question.

Mortgage companies using machine or manual accounting, we believe, will find the photocopy process worthwhile for preparing annual statements to mortgagors and assisting their auditors in obtaining borrower confirmations besides making quick copies of other papers so often needed in mortgage activities.

>> 3.85% RETURN: The rate of interest earned in 1958 on the invested funds of U.S. life insurance companies, after investment expenses but before Federal income taxes, was 3.85 per cent. This compared with 3.75 per cent the year before and an average of 3.64 per cent for the past five years.

This year no industry-wide after-tax earning rate has been computed, as the new tax bill passed this month by Congress, establishes a revised life insurance tax formula, deriving part of the Federal income tax from investment earnings, the rest stemming from general operations. The aggregate Federal income taxes of all life companies for last year, estimated at $500,000,000, will be approximately $200,000,000 larger than in the previous year, a 70 per cent rise, while aggregate investment earnings increased less than 10 per cent.

The Federal income tax does not represent the total tax bill of the life insurance companies and the total of taxes estimated as incurred in 1958 by these companies would be in excess of $850,000,000. This would be about $5.50 for every $100 of premiums received by the life companies, which compares with a tax of just under $2.50 per $100 of premiums ten years ago. The 1958 aggregate of taxes incurred by the business was the equivalent of premiums on almost $40,000,000,000 of life insurance.

While the before-tax earning rate increased last year, to the highest level in several years, it was still materially lower than the 4.10 per cent average for the 1930s and the 5.07 per cent average for the 1920s. Had the average of the 1930s still applied last year, it would have produced some $250,000,000 more of earnings to meet the cost of insurance, roughly enough to cover payment of premiums on nearly $10,000,000,000 of life insurance protection.

MEN TO MAKE MORTGAGES

we may need more than we think

An industry that's experienced such a growth as the mortgage field has in less than a generation—and shows every indication of even greater expansion in the years ahead—is bound to have growing pains. There are signs that these may be particularly acute in the manpower area. The School of Mortgage Banking will lend a valuable assist; but this is about the Student Placement Program and what it is doing now and promises to deliver in the future.

THE other day the principal spokesman for the savings and loan industry was taking a careful look at his area of home loan financing and concluded that the prospects were exceedingly good.

"It is apparent," he wrote, "that currently the business has no dominant problem. We have done extremely well. Most institutions are considerably larger than anticipated in the forecasts of a few years ago, and even last year's forecasts are proving modest. Earnings are good; reserve requirements are being met. The only current concerns are those arising from growth and all agree that if we must have problems, those are the kind of problems to have."

Then he observed that, at a forthcoming management conference for his group, the emphasis would be on personnel—"each year we try to have this meeting on what seems to be the most important problem of the year and today personnel seems to be the area of greatest management interest."

That's understandable—for his field of home loan financing as well as our own. Men to man the mortgage business has become a matter of no little concern. Evidence of that is available on every hand, inquiries from mortgage firms, advertisements appearing in many types of publications, etc. What some foresaw many years ago as a possibility is now a reality, the mortgage banking industry will need a great many more people to handle it than has been generally believed. Properly trained, capable men for mortgage banking are, in fact, in short supply. There just aren't enough people in it at the moment to properly man the pumps. All of which leads to the logical conclusion that the situation probably would be more acute had not the MBA training programs been inaugurated when they were. Now, with the period of even greater activity upon us, it seems safe to look ahead and make the general forecast that in the immediate years ahead there probably may not be enough men to satisfy the needs of mortgage banking.

But there are encouraging signs within the industry, signs which indicate that our field is considerably better off than it would have been had nothing been done about supplying the manpower needed. One of these encouraging developments is the fact that the mortgage field is proving attractive to so many young men and women. No better recommendation could be asked than that young people see a promising future in working in mortgages—hard to believe, isn't it, that as late as 25 years ago the number of young men entering the industry voluntarily was almost negligible.

Looking to the future, one of the most helpful factors in the outlook is the School of Mortgage Banking which, for a long period now, has been contributing to the higher level of personnel which now comprises the industry. It can be counted upon to continue the excellent work it has done and even increase the value of its contribution.

A second effort is the MBA Student Placement Program and there is every indication that, in it, the industry has and will continue to have a good source of dependable personnel. Every member ought to know what this program is and how it can be effectively used.

This MBA Student Placement Program was inaugurated in 1955 by Lewis O. Kerwood, Director of Education and Research and has been under his direction ever since. Its purpose is to place before MBA member firms the résumés of qualified, capable college graduates with a sincere career interest in mortgage banking.

Three guiding principles have been followed:

First, students accepted are on a selective basis—the program is not a commercial placement agency. All are screened and not all who inquire are accepted. Applicants are advised that they should bring to their jobs—in addition to the requisite academic attainment — certain other attributes such as clear thinking, sound reasoning ability, good judgment, foresight, the capacity for realistic evaluation, etc. A maximum in academic background would include a broad understanding of business in general, including training in all or some areas of finance, economics, real estate, real estate law, accounting, statistics, law, money and banking, marketing, salesmanship, taxation, etc. The liberal arts, too, are not overlooked.

Second, under this plan MBA's contribution to actual placement is essentially the announcement of availability of a promising candidate and the facilitation of contact of the interested parties, with all actual employment negotiations being directly

between the graduate and the potential employer.

Third, all candidates are made available on an equal basis to all members of MBA. By use of this service, the employer saves the time of campus recruiting, of interviewing those with no actual interest in the mortgage profession and of obtaining personal histories and recommendations of prospective employees.

Since its inception, a total of 73 graduates have been selected to have their résumés presented to the membership. Nearly 75 per cent of this group who have accepted employment other than military have chosen a career with a firm engaged in mortgage banking. Twelve have accepted employment with firms outside the industry. To cite the competitive temptations for only one of these 12 placements, a major manufacturing industry flew the candidate by private plane from his campus town to the plant location, housed him in a fine hotel, called for him in a limousine for his plant interview, and introduced him —even before employment—to some of the highest company officials. In spite of his basic interest in mortgage banking, a young man at this impressionable age could hardly ignore this type of attention. He accepted the position with that firm and was lost to mortgage banking.

Actual placements within the mortgage banking fraternity include 16 graduates placed with mortgage banking (correspondent) firms, 11 with life companies, five with commercial banks and three with "other" member companies. In addition, 12 have entered military service (with the intent of returning to mortgage banking), eight are in process of accepting employment or still enrolled in school, and the disposition of only six is unknown. The 35 direct and actual placements means a ratio of approximately 50 per cent of candidates—an experience probably not duplicated in commercial placement. Ultimate placement of the group could conceivably be as high as 55 of the 73 candidates.

This record could not have been achieved, however, were the Program not selective in nature; if college professors, deans, placement officers, and alumni did not recommend it; if MBA liaison members were not effective in their relations with the colleges; and if MBA member firms had not displayed an interest in the Program and its candidates. Every candidate without exception has had interview opportunities. Average number of responses to each résumé has been eight and the exceptional candidates have had as many as 25 responses.

Students in the program came from 25 colleges and universities. Median age of candidates has been 25 years, and the most predominant ages have been 21, 25 and 26, each of which have accounted for 11 students. Practically all have majored in business administration and many had graduate courses in real estate, finance, law and other subjects related to the industry. Thirteen held a Master of Business Administration degree, with majors in economics and finance.

Are these graduates fulfilling their new roles adequately? To find out, the employers of 18 of the candidates placed within the industry were surveyed. They were asked to comment on the progress of the individual and to express their opinions on the overall program. In only one case, from all the placements, was there even a hint of dissatisfaction with the new employee. Almost unanimously, employers indicated that the graduate had more than met expectations.

The replies indicated that the candidates, practically all hired as trainees, are now working in such capacities as assistant manager, loan solicitor, appraiser, CAP officer, FHA loan processor, loan closer, brokerage officer, and supervisor. Average starting salary, as nearly as could be determined from those placed within the past two years, was $4,798 per year. Average salary now for those same employees seems to be $5,255 per year. Only two of these 18 have terminated employment since the beginning of the Program, and one has transferred to another mortgage banking firm.

"From this evidence," said Mr. Kerwood, "it seems fair to conclude that the performance record of these new employees has been most satisfactory and that, collectively, they show a gratifying promise for the future of our profession."

What are the needs for the future? Again, the membership was surveyed, asking each member firm to indicate the number of new graduates they anticipated hiring during the balance of 1959. Replies proved somewhat disappointing since only 175 companies, or less than 10 per cent, responded. It was learned that 52 of 124 mortgage companies will need 174 additional new college graduates to handle the projected volume of business this year. By classification, 82 will be needed for the production departments, 53 for servicing functions, and 39 for general mortgage training. Median beginning salary anticipated for men graduates was $4,800 and average salary was $4,817. California indicated the greatest need for additional personnel, with nine companies needing an additional 13 graduates. Texas, Ohio, New Jersey, and Florida follow closely behind.

Of the 23 insurance companies responding, 14 expressed a need for 25 additional college graduates. Median beginning salary anticipated for men graduates was $4,500 and the average salary was $4,480.

In addition, a total of 28 commer-

For Personnel, Look Well into the Future

By **L. O. KERWOOD**

Director, Education and Research

HOW will these more than 200 new employees, plus all those not revealed by the survey, be found for the industry? Certainly not all will be channeled through the MBA Student Placement Program. Member firms located near colleges and universities will find the faculty and placement officers of these institutions most receptive to discussing opportunities for their graduates. As one instructor has said, "I will not hesitate to suggest mortgage banking to majors in finance and to other students who may wish to enter this type of business. It seems to me that education and mortgage banking may learn to cooperate in a mutual program for the development of young men and women." Another university professor said, "You may be assured that our School of Business will begin to develop interest among our students in a field where outstanding opportunities exist."

If we are to secure these candidates as employees, however, we must recognize the reality of a statement made by still another university representative: "You are not alone when it comes to hunting talent, and competition will be keen . . ." In an earlier report (1957), Frank Endicott, Director of Placement at Northwestern University, said that what graduates want is opportunity. He lists the things students look for in a prospective employer in this order: 1. Opportunity to grow and to learn; 2. Opportunity to work with congenial associates; and 3. Starting salary.

According to his 1959 report of "Trends In The Employment of College and University Graduates In Business and Industry," covering a survey of 205 well-known business and industrial concerns, the average starting salary for accounting graduates would be $422 per month, for general business trainees would be $413, and for "All" fields would be $459 per month. The "base rate" for general business students as reported by 40 companies would average $400 per month. Following a year of some uncertainty in college recruiting, "the general trend for 1959 appears to be a substantial increase in the number of college men and women to be employed."

By a pattern of on-campus recruiting, the employer has an opportunity to discuss the field of mortgage banking with graduates from his own area. Some pointers may be helpful: make interview arrangement early with the placement officer; inform him specifically about job requirements and degrees expected; follow up on an interview within a reasonable length of time with both the student and the placement officer; and provide the placement officer with suitable literature, such as the MBA student brochure entitled, "A Place For You In The Mortgage Banking Profession," for the student to study prior to the interview. Of paramount importance in selection of a new employee is, of course, that he have both a genuine interest in and ability for the type industry under consideration. According to a recent booklet, "Employing College Students," issued by the American Bankers Association, some banks attribute their success in employing and retaining college students, in addition to proper selection, to the following practices:

1. Well-developed, carefully-planned, and stimulating training programs.
2. Close, personal attention and genuine interest in trainees' progress.
3. Responsibility as soon as possible.
4. Adequate salaries which are competitive with other industries.
5. Periodic evaluations of progress, regular salary reviews, and progressive salary increases.
6. Interesting work which challenges full ability.
7. Clear understanding of opportunities for advancement without overselling positions at the time of employment.

In addition, thought might be given to the advisability of employing a university faculty member for the summer months or of retaining him as a consultant for your organization. It may be surprising what one of these men could contribute toward the operation of your business. This would have the effect, too, of creating an interest in you personally and in your firm which would carry over in the form of recommendations to a continuous supply of students coming within his influence. If this is not feasible, perhaps simply employing college students on a part-time basis may prove of assistance to some companies in any personnel shortage.

cial banks, mutual savings banks and "other" member institutions replied. Eight indicated they would need 12 graduates during this year. Median beginning salary anticipated for men graduates was $4,425 and average salary was $4,685.

Almost without exception, in any segment of the industry, somewhat higher salaries would be offered those candidates holding a Master's degree.

In summary, a total of 175 member companies responded. A total of 74 anticipate a need for 211 new college-level personnel during the balance of 1959. The overall median starting salary anticipated for men graduates was $4,775 and the average salary was $4,748. Many of the companies indicated that women graduates would be appointed to these new positions—at varying salaries—especially in servicing and general mortgage office operations.

Birmingham Awards MBA President Its Gold Key

The continuing number one problem for this country is the continuing and threatening problem of inflation, President Walter C. Nelson told members of the Birmingham MBA at their recent meeting, which was attended by more than 250 mortgage bankers, real estate men and home builders. Left to right, John C. Hall, immediate past president of MBA, Mr. Nelson and Frank S. White, president of the Birmingham MBA. Mr. Hall presented President Nelson with a gold key to the city on behalf of the Birmingham Chamber of Commerce.

» **NEW AREA:** A public offering of participations in FHA-insured mortgages has been made for the first time in FHA history. The Mortgage Corporation of America, a Maryland corporation, made its first offering of $1 million of 4⅝ per cent collateral trust notes secured by 5¼ per cent FHA mortgages. The offering followed registration of the securities with the Securities and Exchange Commission.

The notes are offered in units of $1,000, and may be purchased by individuals or others who want the benefits represented by ownership of mortgages insured by FHA but who do not want the servicing problems usually associated with investment in mortgages. Some notes will mature in 10 years and some in 20 years. Interest will be paid semiannually.

"This offering," FHA Commissioner Julian Zimmerman said, "is a significant milestone for FHA. We hope it is the beginning of a movement to bring FHA mortgages into a wider market and thus make more money available for financing the homes American families need."

FHA-insured mortgages may be originated and held only by institutional mortgagees approved by FHA. FHA regulations were amended in August 1957 to allow approved mortgagees to dispose of partial interests in insured mortgages by issuing notes, participation certificates, or other forms of security.

The Mortgage Corporation of America will not originate or service insured mortgages. Its principal business will be to invest in insured mortgages originated by others. Mortgages purchased by the corporation for investment will normally be serviced by the originating mortgagee.

The directors and executive officers of the corporation are:

President and director, Edward K. Jones, president, Weaver Brothers, Inc., Washington, D. C.; senior vice president and director, Sidney H. Tinley, Jr., senior vice president and director of Weaver Brothers, Inc., of Maryland; vice president and director, Martin R. West, Jr., senior vice president of Weaver Brothers, Inc.; assistant secretary, Hugh H. Gambrill, vice president of Weaver Brothers, Inc., of Maryland; director, E. Catherine Byrne, executive vice president and secretary of Weaver Brothers, Inc., of Maryland; director William F. Sey, executive vice president and director of J. Maxwell Pringle & Co., Inc.; director, Carey Winston, president and director of The Carey Winston Company.

A. G. Cummings New N. Calif. MBA Head

A. G. Cummings, vice president and secretary of E. S. Merriman & Sons, San Francisco, was named president of the Mortgage Bankers Association of Northern California at its annual meeting. He succeeds Earle V. Taylor, vice president, Crocker-Anglo National Bank, who was elected a new director of the board.

Other officers for the coming year are Henry F. Trione, president, Sonoma Mortgage Company, vice president; Albert E. Maggio, vice president and secretary, Marble Mortgage Company, secretary; and Ira S. Wilbur, production supervisor, Pacific Mutual Life Insurance Company, treasurer.

Cummings, a graduate of the University of Nevada and retired lieutenant colonel of the Army Air Force, has been actively engaged in the real estate appraisal and mortgage field for fifteen years, the past nine with E. S. Merriman & Sons. He is treasurer of the California MBA and a member of the MBA conventional loan committee, the San Francisco Real Estate Board and the San Francisco Commercial Club.

Re-elected to the board were Frank E. Hayward, Willis R. Bryant, Eugene S. Cox, Thomas M. Murphy, Max E. Weyer, Roger C. Olson and D. Clair Sutherland.

Russell G. Smith New New York MBA Head

Russell G. Smith, vice president, The Manhattan Savings Bank, was elected president of the New York MBA. Complete roster of officers for the coming year are John F. Eleford, president, Eleford & Rutgers, Inc., vice president; Philip L. Greenawalt, executive vice president, The Brooklyn Savings Bank, Brooklyn, secretary and Ernest L. Hall, treasurer.

Board members elected include Harry A. Adams, Wesley J. Bahr, Eugene J. McCarthy and Seymour Fischman.

Frank J. Bell has been named chairman of the board of the 66-year-old Washington, D. C. mortgage banking and real estate company, B. F. Saul Co. **Francis C. Little,** previously senior vice president, has been named president. Mr. Bell has been with the firm for 45 years. Mr. Little has been with the organization since 1930, except for a period of war service.

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Eugene F. Sommers, staff valuator for the Springfield, Illinois office of FHA, has joined the mortgage loan department of the Illinois National Bank of Springfield.

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They were honored: **Ferd Kramer,** president, Draper and Kramer, Inc., Chicago, given a Distinguished Service Award by the Metropolitan Housing and Planning Council of Chicago for his leadership in securing private capital to invest in rebuilding blighted neighborhoods . . . **Ross C. Roach,** Kansas City Title Insurance Company, given the Silver Anvil Award (the "Oscar" of the public relations industry) by the American Public Relations Association for his services as public relations chairman of the Heart of America United Campaign, deemed the best such program in the philanthropic field.

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Appointment of **Anthony C. Sallas** as vice president of Salk, Ward & Salk, Inc., Chicago, was announced by **Harry Salk.**

Anthony C. Sallas

Sallas is chief of the appraisal department of the mortgage banking firm. A member of the American Institute of Real Estate Appraisers, he has been with Salk, Ward & Salk for 10 years and has appraised properties in 20 states with a value in excess of a quarter billion dollars. His appraisals for insurance companies, banks, pension funds, fraternal organizations and estates have taken him from coast to coast.

Waldo E. Francois, manager, mortgage loan department, Pan-American Life Insurance Company, New Orleans, is the new president of the Greater New Orleans MBA and **Newell M. Leslie** (right) is vice president. Directors are John Dane, Jr., William Collins, Roy Lassus, W. W. Baltar, III, Claude Meyer and Anthony Chimento.

President **H. Ladd Plumley** of State Mutual Life Assurance Company of America (right) chats with Lt. Gov. John William Chapman of Illinois (center) and **Newton S. Noble, Jr.,** president, Lake Michigan Mortgage Company. Nearly 700 policyholders met in Chicago to ask questions of State Mutual executives at meeting, one of the first of its kind ever held by a mutual life insurance company.

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The San Diego MBA will again sponsor its Mortgage Banking School this year with sessions to begin September 2. The School was inaugurated in 1958.

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Election of **Werner Keil** as vice president, mortgage financing, has been announced by Thomas W. Korb, president, Harnischfeger Homes, Inc.

Werner Keil

Keil will supervise overall planning of mortgage financing for model homes and construction and permanent financing under FHA, VA, or conventional mortgages in connection with the sales of Harnischfeger homes.

The new Harnischfeger executive served from 1951 to 1957 as vice president and director of Amortized Mortgages and Central Mortgage Co. of Milwaukee. He resigned this position to become executive vice president, Middle States Mortgage Corp., Des Plaines, Ill., from 1957 to date.

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O. S. Soyars has been named assistant secretary of Colonial Group, Inc. in charge of the firm's Newport News, Virginia office.

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The J. I. Kislak Mortgage Corporation of Florida, Miami, has inaugurated a unique year-long program designed to honor the humanitarian aspects of the real estate industry, as part of its fifth anniversary observances. Ten Dade (Miami) and Broward (Hollywood-Ft. Lauderdale) County brokers will receive a total of $1,250 in cash awards at the end of the year. A top prize of $500.00 will be presented.

The two-county program is in the nature of a contest in which more than 2,500 real estate brokers are eligible to participate. Known as the "Humanitarian Award of the year in Real Estate," the program is geared to focus attention on the unusual time and efforts brokers spend in helping individual families become settled in the south Florida area. Examples of the type deals to be considered, together with other informative material, is sent regularly to brokers in the two counties via a direct mail campaign.

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The Mortgage and Real Estate Forum, comprising all of the savings

banks in New York City, Long Island and Westchester, has published a Mortgage and Real Estate Directory listing the heads of the new loan, appraising, servicing and insurance departments and legal counsel of each of the sixty-five banks in the Forum. All pertinent directory information, such as addresses, telephone numbers, etc. is shown. Copies can be had at $1 each from Milton Rich, Assistant Mortgage Officer, Central Savings Bank, Broadway and 73rd Street, New York 23, New York. Checks should be drawn to the order of Mortgage and Real Estate Forum.

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Harry M. Huter, assistant vice president and mortgage officer of the Bay Ridge Savings Bank, resigned and has been elected vice president of Stalford & Company, Inc., mortgage bankers of New York City.

Harry M. Huter

He served the New York Title and Mortgage Co. from 1923 to 1931, after which he headed his own real estate firm specializing in appraising for eight years. Mr. Huter then joined FHA in New York where he remained from 1939 to 1944. Early in 1945 he joined the Bay Ridge Savings Bank and has served there to the present.

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Frederic C. Wheeler of Villanova, Pa., has been named a vice president of the Jackson Cross Company, Philadelphia. Retired on April 1 as vice president of the Fidelity-Philadelphia Trust Company after 23 years as a vice president of real estate and later as vice president in charge of estate planning program, Wheeler was at one time vice president and general manager of Mirkil, Valdes & Co.

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Philip L. Greenawalt, executive vice president of The Brooklyn Savings Bank, was elected president of the Mortgage and Real Estate Forum, for the 1959-1960 fiscal year.

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Frank Mullen, president and trustee of the Greater New York Savings Bank, has been elected a member of the real estate and mortgage department advisory board of Manufacturers Trust Company.

At a meeting of the board, South Jersey Mortgage Co., Camden, N. J., announced the election of **Louis H. Meyer** as president. He succeeds **Philip Zinman,** founder of the company, who will continue his active

Louis H. Meyer

Philip Zinman

leadership as chairman of the board. South Jersey Mortgage Co. has engaged in real estate financing since 1943 when it was created as an offshoot of the real estate firm of Philip Zinman and Co.

Meyer, a newcomer to South Jersey, is the former vice president in charge of the mortgage division of J. I. Kislak Mortgage Co. His responsibilities at South Jersey will include the New Jersey operation and offices in Virginia and New York.

Zinman is past president of New Jersey Mortgage Bankers Association, past president of the New Jersey Chapter of American Institute of Appraisers, and past president of Camden County Real Estate Board. At the present time, Zinman is the general chairman of the Camden County Allied Jewish Appeal and is actively interested in the Community Fund Drive.

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William W. Bunge, chairman of Mortgage Associates, Inc., Milwaukee announced that **William S. Pierick** has been appointed controller of the firm, a new executive post. Mr. Pierick resigned as treasurer and controller of Miller Brewing Company. From 1925 to 1951 he served successively as controller, treasurer and financial vice-president of Line Material Company, Milwaukee, a division of McGraw Electric Company.

William S. Pierick

PERSONNEL
AND BUSINESS NEEDS

In answering advertisements in this column, address letters to box number shown in care of The Mortgage Banker, 111 West Washington Street, Chicago 2, Illinois.

FLORIDA—FHA MORTGAGE SOLICITORS

Men with FHA-VA mortgage experience, to 35 years of age, who want to locate in Florida with a good position in a good company, please send picture and experience summary to Box 553.

POSITION WANTED

Appraiser and mortgage man with 15 years broad experience in commercial, industrial and apartment properties desires position in Florida. Presently employed. Résumé and reference upon request. Write Box 582.

APPRAISAL POSITION

Prominent Boston real estate firm desires services of a man with practical appraisal experience including land assembly work, mortgage loan appraisals and general commercial property appraisals. Give complete résumé of education, experience, present employment status and salary. Replies will be held confidential. Write Box 583.

AVAILABLE, experienced Mortgage man/supervisor, inside manager, conventional, FHA, VA, FNMA, title-closing expert, years of processing, closing, marketing, servicing, good education, relocate. Write Box 584.

APPRAISER

Excellent opportunity with growing savings institution, central Connecticut, for thoroughly experienced appraiser, mortgage origination experience desirable. Send résumé and expected salary. Write Box 585.

Age 37, 12 years residential mortgage experience, 4 years construction experience, excellent loan production record. Desire aggressive company. Write Box 586.

Stop Me If You've Heard—

A businessman, just back from exploring possible opportunities in Alaska, was giving a friend a glowing account of the new state's tourist and vacation attractions, especially the winter sports like skiing, skating and hunting.

"Sounds fine," said the friend, "but what do they do up there in summer?"

"Oh," replied the returned traveler, "they go swimming that day."

A judge noted for his ability to reconcile feuding couples consented to speak one day to a women's club.

Introducing him, the matronly president said, "We happily welcome this recognized authority on marriage, its various problems, and criminology in general."

A teen-ager wandered into church, and on the way out greeted the Reverend with "You were swinging, Daddy-O. You were way out."

"I'm afraid I don't grasp your meaning," says the preacher.

"I mean," explained the cat. "I dug you all the way. I read you so good I put ten big fish in your collection plate."

"Ah," says the Reverend grasping his hand firmly. "Cool, Man. Cool!"

A small boy was sitting disconsolately on the curb watching a little friend approach leading a puppy on the end of a piece of rope. When the boy finally arrived, the other youngster said:

"I have wanted a dog for a long time, but my mother won't let me have one."

"You probably don't use the right strategy," replied the other.

"Strategy—what's that?"

"Well," was the reply, "you don't ask her for a dog. You ask her for a baby brother—then she'll be glad to settle for a dog."

At a picnic, one of the judges read out loud the list of names of the winners, saying, "Mrs. Stewart won the ladies' rolling pin throwing contest by hurling one 75 yards.

"And Mr. Stewart won the 100-yard dash."

"I wish I could get my wife to shorten her vacation and come home. Nothing I say will convince her."

"Get one of your neighbors to suggest it. Then she'll come home—and fast."

And To Quote—

It's too bad future generations can't be here now to see the wonderful things we're doing with their money.

By the time a family acquires a nest egg these days, inflation has turned it into chicken feed.

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One thing every American is helping his children inherit is the national debt.

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Tight Money: One thousand dollars in $1 bills in a midget's vest pocket.

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A taxpayer is a person who does not have to pass a civil service examination to work for the government.

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"Bad government is brought about by good citizens who are too lazy or indifferent to help good candidates." —*The Whitehall, Mich., Forum.*

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"Always do the right thing—those you cannot please you will at least surprise."—*The Evening News, Sault Ste. Marie, Mich.*

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"No one acquires a love of liberty working for government. You either bring it along with you or you never have it."—*Lowell Mason.*

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"Successful people are the ones who can think up things for the rest of the world to keep busy at."—*Don Marquis.*

"Oh! Oh! That means I'll have to type that letter over!"